

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	\$413,845		\$201,339	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$413,845		\$201,339	

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

LB amends §48-1401, and §84-1504 to included sums that are deferred to designated Roth contributions to the list of what will not be included in the computation of any federal or state taxes withheld on behalf on such individual employee in certain political subdivisions, state agencies, and the Public Employees Retirement Board (PERB).

The Nebraska Public Employees Retirement Systems (NPERS) estimates twelve to fifteen months to do the development work to analyze the software changes and do the programming required for LB209. NPERS will need to hire a contract developer, for the development portion of the project, with a sufficient level of experience and ability to effectively work on an application as complex as Nebraska Public Retirement Information Systems (NPRIS). The estimated cost of hiring a contractor to complete the project is approximately \$199,500. With the ability to add contributions to Roth's, NPERS will need to increase their staffing by adding three FTE's. This increase will cost \$199,345 and there will also be \$15,000 in operating expenses to cover the start-up costs for FY 2021-22. FY 2022-23 will have salary/benefit expenses costing \$201,339.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 209	AM:	AGENCY/POLT. SUB: Public Employees Retirement Systems
REVIEWED BY: Neil Sullivan	DATE: 2/12/2021	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Public Employees Retirement Systems assessment of fiscal impact from LB 209.		

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2021

LB⁽¹⁾ 209

FISCAL NOTE

Nebraska Public Employees Retirement Systems (NPERS)

State Agency OR Political Subdivision Name: ⁽²⁾ _____

Prepared by: ⁽³⁾ Teresa Zulauf Date Prepared: ⁽⁴⁾ 2-9-2021 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	<u>413,845</u>	_____	<u>201,339</u>	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>413,845</u>	_____	<u>201,339</u>	_____

Explanation of Estimate:

LB 209 will change provisions relating to treatment of deferred compensation by certain political subdivisions, state agencies and the Public Employees Retirement Board.

As written the bill attempts to change how certain contributions to the deferred compensation plan (DCP) will be treated for tax law purposes. Based on the currently written Legislative Bill, it is difficult to determine the intent and to estimate the costs of implementing this.

However, NPERS assumption is that this will be a new plan to administer. NPERS has determined what would need to happen should LB 209 pass and mandate that the PERB and NPERS create and adopt a Roth DCP.

NPERS would need to amend the DCP Plan Document.

NPERS would need a Request for Proposal (RFP) for a recordkeeper. The current record keeper for the State Plan, County Plan, Deferred Compensation Plan (DCP) and the Deferred Retirement Option Plan (DROP) does not account for Roth funds. NPERS would have to negotiate a contract and hire a recordkeeper. NPERS would need to have a conversation with the staff at Multi-County Information and Programming Services (MIPS). MIPS interfaces with NPERS recordkeeper to submit member information and contributions. Some counties do not use MIPS, so NPERS will have to contact those counties and make sure they understand the new reporting requirements.

Department of Administrative Services (DAS) will need to make changes to Workday for post-tax contributions to a Roth. It is undetermined currently the staffing requirements to make the updates.

The Nebraska Investment Council (NIC) will need to advise on the investment choices for the Roth. The NIC will need to have conversations with the custodial bank.

NPERS IT would be a very large time commitment to analyze the software changes and do the programming. NPERS IT estimates it would take 12 to 15 months to do the development work. Software changes, technology upgrades and system maintenance would continue for the lifetime of the program. For the development project, NPERS would request to hire a contract developer with a sufficient level of experience and ability to effectively work on an application as complex as NPRIS. The estimated cost of hiring a contractor to complete the project is a range from \$180,500 to \$199,500.

The current NPERS IT staff is kept very busy maintaining the existing pension plans. Adding a new plan would create additional programming work for years into the future, because numerous software changes are

inevitable when a new plan is implemented, and issues arise over time. NPERS would also request an additional full-time senior developer resource to perform maintenance and changes following the initial project development period to support the system on an ongoing basis. The increase to PSL for FY 2021-22 is \$87,360. The increase to benefits would be \$26,208. Start up costs for one additional programmer is \$5,000. The total increase for FY 2021-22 is \$118,568. The total increase for FY 2022-23 would be \$114,704.

NPERS benefit staff is also very busy tending to the needs of the members of all plans. NPERS would need to request two additional Retirement Specialists I. The increase to PSL for FY 2021-22 for two Retirement Specialist I is \$65,982. The increase to benefits for two Retirement Specialist would be \$19,795. Start up costs for two additional staff would be \$10,000. The total increase for FY 2021-22 is \$95,777. The increase for FY 2022-23 would be \$86,635.

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>
Retirement Specialist	2	2	65,982	66,642
IT Systems Programmer-Senior	1	1	87,360	88,234
Benefits.....			46,003	46,463
Operating.....			15,000	
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			214,345	201,339