

Revised for clarification.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB686 amends §16-1020 to adopt the Cities of the First-Class Firefighters Cash Balance Retirement Act & create The Cities of the First-Class Firefighters Cash Balance Retirement Contributions Fund.

A retirement system will be established to include each city of the first class that employs permanent full-time firefighters for the purpose of providing a retirement annuity or other benefits for employees as provided by the Cities of the First-Class Firefighters Cash Balance Retirement Act. The retirement system will be known as the Cash Balance Retirement System for Firefighters in Cities of the First Class, & by that name will transact all business & hold all cash & other property as provided in the Cities of the First-Class Firefighters Cash Balance Retirement Act.

The fund will be administered by each first-class city's own Cities of the First-Class Firefighters Cash Balance Retirement Board & consist of money received from payroll deductions. Money in the fund will be used exclusively to provide death & disability benefits for employees & their beneficiaries specified. The board will deposit the payroll deductions received from employers into the fund.

Prior to April 1, 2024, each employer will submit to their own Cities of the First-Class Firefighters Cash Balance Retirement Board a list of all employees who are eligible for participation in the retirement system. That list will include the name, address, & gross monthly wage of each employee.

Each member who is an employee hired prior to November 1, 2024, & participates in a retirement system will make a one-time election beginning July 1, 2024, through October 31, 2024, either to continue participating in the retirement system or elect to participate in the cash balance benefit.

Each member who is an employee hired November 1, 2024, through December 31, 2024, & participates in a retirement system will make a one-time election prior to January 1, 2025, either to continue participating in that retirement system or elect to participate in the cash balance benefit.

On or prior to January 1, 2025, each city will transfer to their own Cities of the First-Class Firefighters Cash Balance Retirement Board for each employee who elected to participate in the cash balance benefit an amount not to exceed the employee & employer accounts of each employee plus earnings during the period of participation in a retirement system established. Each employee will receive vesting credit for that employee's years of service in a retirement system.

The Auditor of Public Accounts (APA) will audit the retirement system annually & provide an annual report to their own Cities of the First-Class Firefighters Cash Balance Retirement Board & to the Clerk of the Legislature of the condition of the retirement system. The report submitted to the Clerk of the Legislature will be submitted electronically. Each member of the Legislature will receive an electronic copy of the report by making a request for the report to either the Auditor of Public Accounts or their own Cities of the First-Class Firefighters Cash Balance Retirement Board.

EXPENDITURES:

Cities of the first-class could incur expenses for the actuarial report & any extra contributions that the report may contain.

The APA estimates an annual fiscal impact starting in FY2025-26 of \$24,000 for a Retirement Audit & \$2,500 for a GASB 68 report.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 686	AM:	AGENCY/POLT. SUB: Auditor of Public Accounts
REVIEWED BY: Ryan Walton	DATE: 1/26/2023	PHONE: (402) 471-4174
COMMENTS: The Auditor of Public Accounts assessment of fiscal impact from LB 686 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 686	AM:	AGENCY/POLT. SUB: Department of Labor
REVIEWED BY: Ryan Walton	DATE: 3/20/2023	PHONE: (402) 471-4174
COMMENTS: No basis to disagree with the Department of Labor's assessment of no fiscal impact from LB 686.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 686	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Ryan Walton	DATE: 3/20/2023	PHONE: (402) 471-4174
COMMENTS: No basis to disagree with the Department of Revenue's assessment of no fiscal impact from LB 686.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 686	AM:	AGENCY/POLT. SUB: Nebraska Public Employees Retirement Systems (NPERS)
REVIEWED BY: Ryan Walton	DATE: 1/27/2023	PHONE: (402) 471-4174
COMMENTS: The Nebraska Public Employees Retirement Systems assessment of no fiscal impact to the agency from LB 686 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 686	AM:	AGENCY/POLT. SUB: City of Norfolk
REVIEWED BY: Ryan Walton	DATE: 1/27/2023	PHONE: (402) 471-4174
COMMENTS: The City of Norfolk assessment of indeterminate fiscal impact from LB 686 appears reasonable.		

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

2023

LB⁽¹⁾ 686

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Auditor of Public Accounts

Prepared by: ⁽³⁾ Craig Kubicek Date Prepared: ⁽⁴⁾ 1/25/2023 Phone: ⁽⁵⁾ 402-326-3063

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$0		\$0	
CASH FUNDS	\$0		\$0	
FEDERAL FUNDS	\$0		\$0	
OTHER FUNDS	\$0		\$0	
TOTAL FUNDS	\$0		\$0	

Explanation of Estimate:

LB686 requires the APA to audit this new retirement system annually starting in 2026. There is no fiscal impact for FY 2023-24 and 2024-25; however, there will be a fiscal impact starting with FY 2025-26. The APA anticipates a cost to the plan of \$24,000 starting in 2026 for the calendar year 2025 Retirement Audit and \$2,500 for the GASB 68 report. This would be an annual cost to the plan starting in 2026 and going forward.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</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.

2023

LB⁽¹⁾ 686

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Labor

Prepared by: ⁽³⁾ Rea Easton Date Prepared: ⁽⁴⁾ 03/17/2023 Phone: ⁽⁵⁾ 402-416-6809

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate: There is no fiscal impact to the Nebraska Department of Labor for LB 686.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</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.

2023

LB⁽¹⁾ 686

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Public Employees Retirement Systems (NPERS)-085

Prepared by: ⁽³⁾ Teresa Zulauf Date Prepared: ⁽⁴⁾ 1/25/2023 Phone: ⁽⁵⁾ 402-471-7745

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Explanation of Estimate:

LB 686 creates a Board called the Cities of the First Class Firefighters Cash Balance Retirement Board to oversee this Cash Balance plan. It will also grant an election period to allow those hired prior to 11/1/2024 to opt into this Cash Balance Plan.

No fiscal impact to NPERS Agency 085 operations expenditures.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</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.

2023

LB⁽¹⁾ 686

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of Norfolk

Prepared by: ⁽³⁾ Randy Gates Date Prepared: ⁽⁴⁾ January 26, 2023 Phone: ⁽⁵⁾ (402)844-2011

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>0</u>	<u></u>	<u>indeterminable</u>	<u></u>
CASH FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
FEDERAL FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
OTHER FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL FUNDS	<u>0</u>	<u></u>	<u>indeterminable</u>	<u></u>

Explanation of Estimate:

LB 686 changes first class city fire retirement systems from defined contribution plans for each city to a single statewide cash balance plan for all firefighters employed by first class cities on or after January 1, 2025. Firefighters employed before January 1, 2025 can elect to either remain in the existing defined contribution plan or transfer to the cash balance plan.

The base level employer contributions of 13% are the same for the cash balance plan as the existing defined contribution plan; however, contributions to the cash balance plan can be increased if determined to be actuarially necessary to maintain plan solvency. **Any additional actuarially required contributions under the cash balance plan are indeterminable but could potentially be significant!**

TECHNICAL COMMENTS:

The section reference in Sec. 18 (ii) is XXXX. This should be changed to the actual section referenced.

Sec. 6. (2) refers to transferring the amounts in the existing plans to the new cash balance plan on January 1, 2025. It says the amount of the employee and employer accounts for each employee should be transferred *plus earnings during the period of participation in a retirement system established pursuant to sections 16-1020 to 16-1042*. The account balances include earnings, the language I italicized is redundant and should be eliminated. As it literally reads now, the accounts would get the earnings twice.

Sec. 10 (1) and (2) refer to the amount each city shall pay to the plan. I've attached these sections and highlighted language that is redundant and should be eliminated. The way it reads now says it includes 200% of the contributions made by the employer. It only includes 100% of the contributions made by the employer, which are twice the employee contributions. If the highlighted language isn't eliminated it needs to be changed.

Sec. 31. (1)(b) refers to the amount a terminating employee receives if vested which is both his member account and his employer account. The member account is referred to twice and this redundant language should be eliminated as shown in my attachment.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	NUMBER OF POSITIONS		2023-24	2024-25
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....			0	indeterminable
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			0	indeterminable

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

2023

LB⁽¹⁾ 686

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of Grand Island

Prepared by: ⁽³⁾ Patrick Brown Date Prepared: ⁽⁴⁾ January 31, 2023 Phone: ⁽⁵⁾ (308)389-0169

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>0</u>	<u> </u>	<u>indeterminable</u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u><u>0</u></u>	<u><u> </u></u>	<u><u>indeterminable</u></u>	<u><u> </u></u>

Explanation of Estimate:

There are so many complexities in LB686 that it would take an actuarial calculation in order to come close to the potential costs to first class cities and participants. Without an actuary report below is a snapshot of one year potential costs. Very crude but possible.

As of January 13, 2023			City Cost (2/3rds)	Employee Cost (1/3rd)	Per Participant
Number of participants in defined Contribution Plan		73			
Total Value of Plan as of 01/13/2023		\$ 20,807,984			
Guaranteed Rate of Return of 5% for one year		\$ 1,040,399			
What if's					
S&P 500 return for 2022 was -19.44%		\$ (4,045,072)			
The contribution amount to guarantee a 5% return		\$ (5,085,471)	\$ (3,390,484)	\$ (1,694,988)	\$ (23,219)
Dow Jones return for 2022 was -8.78%		\$ (1,826,941)			
The contribution amount to guarantee a 5% return		\$ (2,867,340)	\$ (1,911,656)	\$ (955,684)	\$ (13,092)
S&P MidCap 400 return for 2022 was -14.48%		\$ (3,012,996)			
The contribution amount to guarantee a 5% return		\$ (4,053,395)	\$ (2,702,399)	\$ (1,350,997)	\$ (18,507)

TECHNICAL COMMENTS:

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....			<u>0</u>	<u>indeterminable</u>
Operating.....				
Travel.....				
Capital outlay.....				

Aid.....
Capital improvements.....
TOTAL.....

0

indeterminable

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

2023

LB⁽¹⁾ 686

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of Papillion

Prepared by: ⁽³⁾ Nancy Hypse Date Prepared: ⁽⁴⁾ January 26, 2023 Phone: ⁽⁵⁾ (402)844-2011

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	0		undeterminable	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	0		undeterminable	

Explanation of Estimate:

LB 686 changes first class city fire retirement systems from defined contribution plans for each city to a single statewide cash balance plan for all firefighters employed by first class cities on or after January 1, 2025. Firefighters employed before January 1, 2025 can elect to either remain in the existing defined contribution plan or transfer to the cash balance plan.

The base level employer contributions of 13% are the same for the cash balance plan as the existing defined contribution plan; however, contributions to the cash balance plan can be increased if determined to be actuarially necessary to maintain plan solvency. **Any additional actuarially required contributions under the cash balance plan are undeterminable but could potentially be significant!**

TECHNICAL COMMENTS:

Sec.6. refers to the “gross monthly wage of each such employee” our firefighters are paid every two weeks, which means 10 of the 12 months there are two pay period and the other two months there are three pay periods. Therefore, I believe there needs to be definition assigned to “gross monthly wage”—for example 1/12 of the annualized. Why would we provide gross monthly wage when the definition of compensation is not gross wages?

Sec. 6. (2) refers to transferring the amounts in the existing plans to the new cash balance plan on January 1, 2025. This section has the account balances being transferred which would include the prior earnings and then states “plus earning” which based on the current language would have the earnings contributed twice. This language needs to be corrected.

Sec. 10 (1) and (2) refer to the amount each city shall pay to the plan. The language of this section should not use “two hundred percent of the contribution made by the employer” if the intent was as stated in the *Summary of Legislative Draft – LB 686*. The bill as written could have the cities paying more than the 13% because as written the city would be adjusted to match the ARC payments.

The section reference in Sec. 18 (ii) is XXXX. This needs to have the actual section referenced.

Sec. 31. (1)(b)(i) the or at the end of this section should be changed to “and” and Sec. 31. (1)(b)(ii)(A) should be removed. The same language is in the bill twice. is the same.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....			0	undeterminable
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			0	undeterminable

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

2023

LB⁽¹⁾ 686

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of York

Prepared by: ⁽³⁾ Sue Crawford Date Prepared: ⁽⁴⁾ January 31, 2023 Phone: ⁽⁵⁾ (402)363-2600

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>0</u>	<u></u>	<u>89.000</u>	<u>0</u>
CASH FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
FEDERAL FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
OTHER FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL FUNDS	<u>0</u>	<u></u>	<u>89,000</u>	<u>0</u>

Explanation of Estimate:

LB 686 creates a Cities of the First-Class Firefighters Cash Balance Retirement Board. This Board will perform the duties that NPERS performs for other state cash balance plans. In 2021 LB 478 sought to have NPERS include First-Class Firefighters. At that time, **NPERS estimated the added cost of adding the Firefighters to be \$803,311 over the first two years.** This was the estimated cost of adding the staff and consulting necessary to add the Firefighter Cash Balance Plan to an already well-staffed and functioning retirement board. A new First Class Firefighters Cash Balance Retirement Board would have expenses greater than \$800,000 because it would be starting from scratch. Since LB 686 does not provide funding for this new First-Class Firefighter Cash Balance Retirement Board, the cost will likely fall on First Class Cities. Estimating that it would cost at least double the cost of adding a new plan to NPERS (\$1,600,000) and dividing by the 18 First Class Cities with full-time fire fighters, yields an estimate of \$88,888 as an estimate for the administrative work of putting the First-Class Firefighters Cash Balance Retirement Board in place per city. This does not include the costs of the city match or any city funds that may be required by the actuary reports, in the first years and later.

The base level employer contributions of 13% are the same for the cash balance plan as the existing defined contribution plan; however, contributions to the cash balance plan can be increased if determined to be actuarially necessary to maintain plan solvency. **Any additional actuarially required contributions under the cash balance plan are indeterminable but could potentially be significant.**

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
First-Class Fire Fighter Board	<u></u>	<u>6</u>	<u></u>	<u>indeterminable</u>
Benefits.....	<u></u>	<u></u>	<u>0</u>	<u>indeterminable</u>
Operating.....	<u></u>	<u></u>	<u></u>	<u>89,000</u>
Travel.....	<u></u>	<u></u>	<u></u>	<u></u>
Capital outlay.....	<u></u>	<u></u>	<u></u>	<u></u>
Aid.....	<u></u>	<u></u>	<u></u>	<u></u>
Capital improvements.....	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL.....	<u></u>	<u></u>	<u>0</u>	<u>\$89,000+</u>