

Handwritten initials

PREPARED BY:  
DATE PREPARED:  
PHONE:

Kathy Tenopir  
February 07, 2011  
471-0058

**LB486**

Revision: 00

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	See Below		See Below	
FEDERAL FUNDS				
OTHER FUNDS		See Below		See Below
TOTAL FUNDS				

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB486 amends the School Employees Retirement Act.

Currently that part of the member's compensation that exceeds the member's compensation for the preceding year by more than 7% during the 60 months preceding retirement is excluded from the benefit calculation. In addition, currently there are 3 exemptions to the 7% cap.

LB486 would increase the salary cap from 7% to 9% and eliminate all exemptions. LB486 also provides that the Public Employees Retirement Board (PERB) shall not refund contributions made on compensation in excess of the 9%.

An actuarial study completed by buckconsultants indicates a range of fiscal impact to the plan depending on the percentage of retiring members that are exempt under the current provision. The impact of a 9% cap with no exemptions is as follows.

1. Assuming 25% of retiring members are exempt under current provisions, the impact to the plan would be a negative \$2,968,653.
2. Assuming 50% of retiring members are exempt under the current provisions, the impact would be a positive \$1,057,666.

In 2010, 47% of retiring members who had at least 1 year where their salary increase exceeded 7% were exempt. For the period 2006 to 2010, 30% of retired members were eligible for an exemption.

The Nebraska Public Employees Retirement System (NPERS) indicates a one-time programming cost of \$3,897. It appears that there would also be an annual cost savings since NPERS would no longer have to track and verify the exemptions. The amount of the cost savings cannot be estimated at this time.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	1/28/11	PHONE 471-2526
COMMENTS	EMPLOYEE RETIREMENT BOARD - Estimate of impact appears to be reasonable.		

JAN 28 2011

**FISCAL NOTE** LEGISLATIVE FISCAL **LB486**  
**Nebraska Employee Retirement System**

Prepared By	Gerke, Randy
Date Prepared	1/25/2011
Prepared Phone	402-471-9495

**Estimate Provided By State Agency or Political Subdivision**

	FY 2011-2012		FY 2012-2013	
	Expenditures	Revenue	Expenditures	Revenue
General Funds				
Cash Funds	3897			
Federal Funds				
Other Funds				
<b>Total Funds</b>	<b>3897</b>			

**Explanation of Estimate:**

Legislative Bill 486 changes the 7% salary cap to 9% and eliminates the exemptions from the salary cap. This will help to eliminate the effects on the benefit of an irregular salary increase just prior to retirement. There would be a one time fiscal impact on NPERS operating expenses for computer software programming costs of \$3,897. This programming will be performed by the OCIO staff. It is estimated that it will take 60 hours @ \$64.95/hour. The financial impact on the plan is difficult to determine. The actuary is reviewing data provided by NPERS.

**Major Objects of Expenditure**

Position Title	Number of Positions		FY 2011-2012	FY 2012-2013
	FY 2011-2012	FY 2012-2013	Expenditures	Expenditures
		Benefits		
		Operating	3897	
		Travel		
		Capital outlay		
		Aid		
		Capital improvements		
		<b>Total</b>	<b>3897</b>	