

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2017-18</b>		<b>FY 2018-19</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS	\$23,888			
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$23,888			

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

LB219 changes the mortality tables used to calculate the annuity benefit for all the retirement plans administered by the Public Employees Retirement Board (PERB). This includes the Judges, Schools, State Patrol, State and County plans. LB219 clarifies the investment return rate will be used to calculate the annuity for the State and County Cash Balance plans.

Judges, Schools, and State Patrol – Defined Benefit Plans.

Plan members hired prior to July 1, 2017 will continue to have annuities calculated based on the 1994 mortality tables. Plan members hired or rehired on or after July 1, 2017 will have annuities calculated using the mortality tables recommended by the actuary and approved by the PERB. The PERB approved new blended mortality tables.

State and County – Cash Balance Plans

- Plan members hired prior to January 1, 2018 will continue to have annuities calculated based on the 1994 mortality tables. Plan members hired or rehired on or after January 1, 2018 will have annuities calculated using the mortality tables recommended by the actuary and approved by the PERB. The PERB approved new blended mortality tables.
- The annuity rate used to calculate the annuity will be the investment return rate recommended by the actuary and approved by the PERB. This applies to all members regardless of their date of hire. The PERB approved a change in the investment return rate from 7.75% to 7.5% effective January 1, 2018.

The actuary has indicated that changing either the annuity rate or the mortality tables for the annuity conversion factors will result in a decrease in the member benefit amounts. Changes to the mortality tables will have the greatest impact in decreasing the member benefit amounts.

The Nebraska Public Employees Retirement System (NPERS) indicates the proposed changes create the need for two sets of annuity factors for each plan and therefore requires programming changes. NPERS estimates the one-time costs to be \$23,888 for these changes.

<b>ADMINSTRATAIVE SERVICE STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
LB: 219	AM:	AGENCY/POLT. SUB: Nebraska Public Employees Retirement System
REVIEWED BY: Gary Bush	DATE: 1/18/17	PHONE: <a href="tel:4024714161">(402) 471-4161</a>
COMMENTS: No basis to disagree with estimate provided by the agency. The estimate appears to be reasonable.		
Information provided by NPERS actuary in a recent experience study recommended new mortality tables. Adopting these new assumptions is expected to increase the additional required contributions needed for the retirement plans. Historically these additional contributions have been paid from the General Fund.		

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

**2017**

**LB<sup>(1)</sup> 219**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> NPERS

Prepared by: <sup>(3)</sup> Randy Gerke Date Prepared: <sup>(4)</sup> 1/18/2017 Phone: <sup>(5)</sup> (402) 471-9495

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	\$23,887.50	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$23,887.50</u>	_____	_____	_____

**Explanation of Estimate:**

LB219 changes the use of mortality tables for members of all of NPERS five retirement plans for those hired on or after January 1, 2018. This change has been recommended by the agency's contracted actuary and was adopted by the Public Employee's Retirement Board (PERB). There will now be a need for the use of two sets of annuity factors for each of the retirement plans. The change creates a need for programming changes within the agency computer system NPRIS. Functional areas in the computer system that will need to be changed are:

- 1) Modify the Retirement Application (RAP) and Generate Benefit Estimate (GBE) processes to use hire date to determine the factors that will be used
  - a. Modify RAP/GBE Parameter Screens to accept and display hire date
  - b. Modify methods for calculating benefits to accept/determine hire date and use it to determine factors
- 2) Modify the database tables that hold the factors
- 3) Modify the programs for loading factors into the database
- 4) Modify the self-service benefit estimator to accept hire date as an input from the user
- 5) Perform thorough testing of the changes

These changes are estimated to require 294 hours of programming time using an OCIO programmer. The hourly rate would be \$81.25 for a total one time cost estimate of \$23,887.50.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18 EXPENDITURES</u>	<u>2018-19 EXPENDITURES</u>
	<u>17-18</u>	<u>18-19</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	\$23,887.50	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	\$23,887.50	_____