

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				
TOTAL FUNDS				

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

LB586 amends §14-567 and §15-1017 and requires a report relating to certain police and firefighter retirement plans be submitted to the Nebraska Retirement Systems Committee of the Legislature and Governor.

Starting December 31, 2021 and by December 31 each year thereafter, the pension board of a city of the metropolitan class will provide the following:

- A description of, and the process used to determine, the investment return assumption utilized by the plan administrator when determining employer and employee contribution rates
- An estimate of the range of likely assets, total liabilities, unfunded liabilities, and employer contributions over twenty years based on an analysis that simulates the volatility of annual investment returns above and below the expected rate, applying methodology determined by the actuary, but including at a minimum both the twenty-fifth and seventy-fifth percentiles of the distribution of likely investment returns
- Projections of assets, liabilities, pension debt, service costs, employee contributions, employer contributions, net amortization, benefit payments, payroll, and funded ratio for the retirement system for each of the next thirty years based upon current actuarial assumptions, including the assumed rate of return
- Projections of assets, liabilities, pension debt, service costs, employee contributions, employer contributions, net amortization, benefit payments, payroll, and funded ratio for the retirement system assuming that investment returns are two and four percentage points lower than the assumed rate of return and that the city makes employer contributions meeting all of the following:
 - The contributions are based upon current funding policy for the retirement system
 - The contributions are held constant at the levels calculated for subdivision of §14-567(4)(c)
 - The contributions never exceed fifteen percent of projected total revenue available for appropriation by the city
- Estimates for assets, liabilities, pension debt, service costs, employee contributions, employer contributions, net amortization, benefit payments, payroll, and funded ratio for the retirement system, if there is a one-year loss on planned investments of twenty percent followed by a twenty-year period of investment returns two percentage points below plan assumptions, with the following assumptions regarding contributions:
 - The contributions are based upon current funding policy for the retirement system
 - The contributions are held constant at the levels calculated for subdivision of §14-567(4)(c)
 - The contributions never exceed fifteen percent of projected total revenue available for appropriation by the city
- The estimated actuarially accrued liability, the total plan normal cost for all benefit tiers if multiple tiers exist, and the employer normal cost for all benefit tiers if multiple tiers exist, calculated using all of the following:
 - A discount rate equal to the assumed rate of return. If the discount rate used by the retirement system is different from the investment return assumption, then the report shall provide a calculation of actuarially accrued liability based upon a discount rate that is two percent and four percent above and below the long-term rate of return used by the plan administrator
 - The ten-year average of the yield of thirty-year treasury notes
- A description of the amortization period for any unfunded liabilities utilized by the plan administrator when determining the contribution rates
- A calculation of the contribution rates based on an amortization period equal to the estimated average remaining service periods of employees covered by the contributions
- A description of the interest assumption rate utilized by the plan administrator for reporting liabilities and the process used to determine that assumption

- The market value of the assets controlled by the plan administrator and an explanation of how the actuarial value assigned to those assets differs from the market value of those assets
- Any additional information deemed useful by the committee to evaluate current or prospective funding or contribution policies

Starting December 31, 2021 and by December 31 each year thereafter, the city clerk of the primary class city or such city clerk's designee will provide the following:

- A description of, and the process used to determine, the investment return assumption utilized by the plan administrator when determining employer and employee contribution rates
- An estimate of the range of likely assets, total liabilities, unfunded liabilities, and employer contributions over twenty years based on an analysis that simulates the volatility of annual investment returns above and below the expected rate, applying methodology determined by the actuary, but including at a minimum both the twenty-fifth and seventy-fifth percentiles of the distribution of likely investment returns
- Projections of assets, liabilities, pension debt, service costs, employee contributions, employer contributions, net amortization, benefit payments, payroll, and funded ratio for the retirement system for each of the next thirty years based upon current actuarial assumptions, including the assumed rate of return
- Projections of assets, liabilities, pension debt, service costs, employee contributions, employer contributions, net amortization, benefit payments, payroll, and funded ratio for the retirement system assuming that investment returns are two and four percentage points lower than the assumed rate of return and that the city makes employer contributions meeting all of the following:
 - The contributions are based upon current funding policy for the retirement system
 - The contributions are held constant at the levels calculated for §14-567(3)(c)
 - The contributions never exceed fifteen percent of projected total revenue available for appropriation by the city
- Estimates for assets, liabilities, pension debt, service costs, employee contributions, employer contributions, net amortization, benefit payments, payroll, and funded ratio for the retirement system, if there is a one-year loss on planned investments of twenty percent followed by a twenty-year period of investment returns two percentage points below plan assumptions, with the following assumptions regarding contributions:
 - The contributions are based upon current funding policy for the retirement system
 - The contributions are held constant at the levels calculated for §14-567(3)(c)
 - The contributions never exceed fifteen percent of projected total revenue available for appropriation by the city
- The estimated actuarially accrued liability, the total plan normal cost for all benefit tiers if multiple tiers exist, and the employer normal cost for all benefit tiers if multiple tiers exist, calculated using all of the following:
 - A discount rate equal to the assumed rate of return. If the discount rate used by the retirement system is different from the investment return assumption, then the report shall provide a calculation of actuarially accrued liability based upon a discount rate that is two percent and four percent above and below the long-term rate of return used by the plan administrator
 - The ten-year average of the yield of thirty-year treasury notes
- A description of the amortization period for any unfunded liabilities utilized by the plan administrator when determining the contribution rates
- A calculation of the contribution rates based on an amortization period equal to the estimated average remaining service periods of employees covered by the contributions
- A description of the interest assumption rate utilized by the plan administrator for reporting liabilities and the process used to determine that assumption
- The market value of the assets controlled by the plan administrator and an explanation of how the actuarial value assigned to those assets differs from the market value of those assets
- Any additional information deemed useful by the committee to evaluate current or prospective funding or contribution policies

The Fiscal Impact should be minimal and can be absorbed by the cities and agencies.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 586	AM:	AGENCY/POLT. SUB: Public Employees Retirement Systems
REVIEWED BY: Neil Sullivan	DATE: 1/26/2021	PHONE: (402) 471-4179
COMMENTS: The Public Employees Retirement Systems assessment of no fiscal impact from LB 586 appears reasonable.		

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

LB: 586 AM: AGENCY/POLT. SUB: City of Lincoln

REVIEWED BY: Neil Sullivan DATE: 1/25/2021 PHONE: (402) 471-4179

COMMENTS: The City of Lincoln assessment of fiscal impact from LB 586 appears reasonable.

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

2021

LB⁽¹⁾ 586

FISCAL NOTE

Nebraska Public Employees Retirement Systems (NPERS)

State Agency OR Political Subdivision Name: ⁽²⁾ _____

Prepared by: ⁽³⁾ Teresa Zulauf Date Prepared: ⁽⁴⁾ 1-25-2021 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>0</u>	_____	<u>0</u>	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u><u>0</u></u>	<u>_____</u>	<u><u>0</u></u>	<u>_____</u>

Explanation of Estimate:

LB 586 requires an annual report regarding police and firefighter defined benefit retirement plans in certain cities submitted to the Legislature and the Governor.

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>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⁾ 586

FISCAL NOTE

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

Prepared by: ⁽³⁾ James Van Bruggen Date Prepared: ⁽⁴⁾ 1/22/21 Phone: ⁽⁵⁾ 402-441-8301

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	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

The fiscal impact of the reporting requirements is estimated at \$30,000.

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.....	_____	_____	_____	_____