

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

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COMMENTS			
EMPLOYEE RETIREMENT BOARD - Estimate of impact appears to be reasonable.			