

Revised to reflect the adoption of AM1108 & AM1135

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	(\$29,265,009)		(\$48,087,683)	
CASH FUNDS	\$66,000			
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	(\$29,199,009)		(\$48,087,683)	

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

LB645 amends §79-966 to change the state contributions to the School Retirement Fund.

For each fiscal year beginning July 1, 2025, in addition to the state transfers required, the state will transfer into the School Retirement Fund the following amounts:

- if the actuarially funded ratio of the School Retirement Fund is less than ninety-two percent, an amount equal to two percent of the compensation of all members of the retirement system
- if the actuarially funded ratio of the School Retirement Fund is ninety-two percent or greater & less than ninety-four percent, an amount equal to one & six-tenths of one percent of the compensation of all members of the retirement system
- if the actuarially funded ratio of the School Retirement Fund is ninety-four percent or greater & less than ninety-six percent, an amount equal to one & two-tenths of one percent of the compensation of all members of the retirement system
- if the actuarially funded ratio of the School Retirement Fund is ninety-six percent or greater & less than ninety-eight percent, an amount equal to eight-tenths of one percent of the compensation of all members of the retirement system
- if the actuarially funded ratio of the School Retirement Fund is ninety-eight percent or greater & less than one hundred percent, an amount equal to four-tenths of one percent of the compensation of all members of the retirement system
- if the actuarially funded ratio of the School Retirement Fund is one hundred percent or greater, the state will not be required to transfer an amount

AM876 amends §79-958 & §79-966 to change the contributions to the School Retirement Fund.

§79-958 is amended as follows:

Beginning on July 1, 2025, every employee will be required to deposit the following amounts in the School Retirement Fund:

- if the funded ratio on the actuarial value of assets in the School Retirement Fund is less than ninety-six percent for the most recent previous year as reported in the annual actuarial valuation report, nine & three-quarters of one percent of compensation
- if the funded ratio on the actuarial value of assets in the School Retirement Fund is ninety-six percent or greater & less than ninety-eight percent for the most recent previous year as reported in the annual actuarial valuation report, eight & three-quarters of one percent of compensation
- if the funded ratio on the actuarial value of assets in the School Retirement Fund is ninety-eight percent or greater & less than one hundred percent for the most recent previous year as reported in the annual actuarial valuation report, eight percent of compensation
- if the funded ratio on the actuarial value of assets in the School Retirement Fund is one hundred percent or greater for the most recent previous year as reported in the annual actuarial valuation report, seven & one-quarter of one percent of compensation

§79-966 is amended as follows:

For each fiscal year beginning July 1, 2025, in addition to the state transfers required, the state will transfer into the School Retirement Fund the following amounts:

- if the funded ratio on the actuarial value of assets in the School Retirement Fund is less than ninety-six percent for the most recent previous year as reported in the annual actuarial valuation report, an amount equal to two percent of the compensation of all members of the retirement system

- if the funded ratio on the actuarial value of assets in the School Retirement Fund is ninety-six percent or greater & less than one hundred percent for the most recent previous year as reported in the annual actuarial valuation report, an amount equal to seven-tenths of one percent of the compensation of all members of the retirement system
- if the funded ratio on the actuarial value of assets in the School Retirement Fund is one hundred percent or greater for the most recent previous year as reported in the annual actuarial valuation report, no transfer will be made

Since an emergency exists, this bill takes effect when passed & approved according to law.

AM1108 amends §79-958 to clarify the end date of the current provisions & updates the following provisions added from AM876:

Beginning in 2025 & each year thereafter, the employee contribution rate will be calculated as of July 1 & based on the funded ratio of the actuarial value of assets in the School Retirement Fund in the most recent previous year as reported in the annual actuarial valuation report for the retirement system prepared for the retirement board. Beginning on July 1, 2025, for the purpose of providing the funds to pay for formula annuities, every employee will be required to deposit the following amounts in the School Retirement Fund:

- if the funded ratio on the actuarial value of assets in the School Retirement Fund is less than ninety-six percent, nine & three quarters of one percent of compensation
- if the funded ratio on the actuarial value of assets in the School Retirement Fund is ninety-six percent or greater & less than ninety-eight percent, eight & three-quarters of one percent of compensation
- if the funded ratio on the actuarial value of assets in the School Retirement Fund is ninety-eight percent or greater & less than one hundred percent, eight percent of compensation
- if the funded ratio on the actuarial value of assets in the School Retirement Fund is one hundred percent or greater, seven & one quarter of one percent of compensation

AM1135 amends parts of LB76 into the bill.

§81-2026 is amended to change the provisions of the Nebraska State Patrol Retirement System relating to benefits provided upon the death of a trooper.

The surviving spouse/dependent benefit within the State Patrol Retirement Plan is increased from 75% to 100%.

FISCAL IMPACT:

Based off of the November 2024 actuary report, the amounts needed for the annual contribution to the School Plan is \$50,118,963 for FY2025-26 & \$51,400,000 for FY2026-27.

The Nebraska Public Employees Retirement Systems (NPERS) has an expense of \$40,000 for the actuary studies required for LB645.

For AM1135, NPERS estimates 200 hours of programming with an estimated expense of \$20,000 to make to necessary changes & updates. An actuarial report was done to analyze the financial impact of LB76, the cost of that report for NPERS was \$6,000.

An actuary report was completed on LB76 (AM1135) concerning the increase of the survivors benefits from 75% to 100%. The current additional state general fund contribution for FY2025-26 is \$6,834,870. The provisions of AM1135 would increase that contribution by \$3,312,317 to a total of \$10,147,187. This is an annual contribution so that same increase is being utilized for both years as the study was only done for FY2025-26.

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2025

LB⁽¹⁾ 645 AM 1108 AM 1135

FISCAL NOTE

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

Prepared by: ⁽³⁾ Teresa Zulauf Date Prepared: ⁽⁴⁾ 4/25/2025 Phone: ⁽⁵⁾ 402-471-7745

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	3,312,317		3,312,317	
CASH FUNDS	26,000	0	0	0
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>3,338,317</u>	<u>0</u>	<u>3,312,317</u>	<u>0</u>

Explanation of Estimate:

LB 645 –Gradual reduction in state contributions from the General Fund to the School Retirement Fund. This funding is based on the actuarially funded ratio of the School Retirement Fund.

April 25, 2025:

AM1108- This is technical clean up language.

AM 1135- The additional State Contribution for the increasing survivor's annuities to 100% would be \$3,312,317 for FY2025-26.

In November 2024, NPERS submitted an updated budget request for FY 2025-26 for the State Patrol Plan (Program 515) for \$6,834,370. AM 1135 will increase the request to \$10,147,187. (\$10,147,187-\$6,834,780 = \$3,312,317 additional amount listed above.)

Also in November 2024, an updated budget request was provided for FY 2026-27 for the State Patrol Plan (Program 515) for \$6,000,000. The additional amount requested above is an estimate.

NPERS estimates that it could take 200 hours of programming with a cost estimate of \$20,000. (The cost is put into the first year of the budget.)

CavMac Actuarial Consulting Services was asked to analyze LB 76 and prepare a discussion of the expected financial impact on the Nebraska State Patrol Retirement System. They put together a letter that would provide the expected cost of the changes and comment on the related risk issues. The cost of the letter from the actuary could cost up to \$6,000.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				

Aid		
Capital improvements		
TOTAL		