

LOCAL GOVERNMENT
FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: March 5, 2015

Agency Submitting: Local Government

Items of Revenue or Expense, or Both	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Effect on Future Biennia
Total	0	0	0	0

Explanation

(Use Additional Sheets of Attachments, if required)

See attached.

Name Michael Nakamoto

Title Deputy Fiscal Analyst

The following responses from local governments were compiled by the Fiscal Analysis Division. The Fiscal Analysis Division can neither verify nor comment on the figures provided by the individual local governments.

Local Government Responses
A.B. 190 / BDR 23 - 184

City/County: Carson City Approved by: Nickolas A. Providenti, Finance Director Comment: This bill would have an impact to Carson City, but the amount is unknown at this time.				
Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: Churchill County Approved by: Eleanor Lockwood, County Manager Comment: In reviewing BDR 23-184 again, the major modification is that the employer would no longer be required to contribute an extra 6% and 9% (Law Enforcement) in PERS contributions for current employees. Only an additional 6% would be required for current employees who elected to go into the hybrid system, and for those hired after July 1, 2016, who are automatically enrolled in the hybrid plan. This means the county would pay 12% for regular PERS participants and 15% for law enforcement participants. Employees would have to contribute at least 6% of their income to the plan. And current employees could choose for themselves if they want to part of the hybrid plan or continue in their current plan. This BDR, as now worded, would actually save Churchill County more money than the previous version, because the county would not have to pay the additional 6% for EVERY employee, only those who enrolled in the hybrid plan. Again, the savings would probably be in the future since many employees would not choose to switch to the hybrid system. And some of the savings may be offset by needing to pay higher wages to attract employees to the county.				
Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: Clark County

Approved by: David Dobrzynski, Assistant Director of Finance

Comment: Under the existing Defined Benefit Plan, the current contribution rate is 28% for regular employees and 40.5% for Public Safety employees of which ½ half is paid by the employee and ½ paid by the employer. The bill draft has a maximum public employer contribution rate equal to 12 percent of a member's compensation. This translates for new employees hired after 7/1/16 to a 2% savings for regular employees and an 8.25% savings for Public Safety employees for Clark County.

As a consequence of creating a new and separate retirement plan for new employees, the existing Defined Benefit Plan will experience a dramatic increase to the PERS retirement contribution rate. It is estimated that initially an increase of 15% would be needed in the PERS retirement contribution rate for active employee's participating in existing Defined Benefit Plan. This could in fact continue to increase as fewer and fewer active employees on the existing Defined Benefit Plan are employed to pay the contribution rate amount to the existing Defined Benefit Plan. This 15% increase would be split between employer/employee. Plus an added 6% from Sec 6 1 (b) on the employer side, for a total increase on Clark County of 13.5% (7.5%+6%)

Clark County's payroll for Regular and Public Safety employees is \$505.9 million. A 13.5% increase in contribution to the existing Defined Benefit Plan would amount to \$68.3 million.

Clark County averages about a 5% attrition rate, using that average attrition rate, the increased cost for an additional 13.5% employer contribution rate will outweigh the savings for employees hired under the new Hybrid plan. The net cost to Clark County over the next 2 biennials is \$191.4 million.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$60,346,000	\$51,978,000	\$79,068,000

City/County: Esmeralda County

Approved by: Ruth P. Lee, Assessor

Comment: Could have an impact on the County and make it hard to get good employees

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: Elko County

Approved by: Cash A. Minor, Assistant County Manager/CFO

Comment: No Impact

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
No Impact	\$0	\$0	\$0	\$0

City/County: Humboldt County

Approved by: Sondra Schmidt, Comptroller

Comment: There are too many variables to be able to estimate what the cost savings would be for the County. It would depend on how many new employees would be hired after that date and how many current employees would opt for the hybrid retirement program. It would be a substantial savings in the future but not in the beginning. Currently the County contributes approximately \$2.8 million to PERS annually not counting service credit purchases with accrued sick leave.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: Washoe County

Approved by: Liane Lee, Government Affairs Manager

Comment: Washoe County received the analysis from Segal Consulting, PERS' actuary. If this bill were to pass, the number of employees in the legacy PERS defined-benefit system would drop over time, which would greatly change one of the major actuarial assumptions for the plan and result in a significant increase in the Unfunded Actuarial Accrued Liability (UAAL) portion of the rate. PERS has confirmed that they have prepared a fiscal note that is broken in four parts: 1) Contribution cost to State employers, 2) Contribution cost to State employees, 3) Contribution cost to local government employers collectively, and 4) Contribution cost to local government employees collectively using our total payroll as of June 30, 2014. Washoe County had concerns with section 6 of the original bill and the 6 percent contribution for the UAAL for all current employees. The current bill removed the requirement to contribute for current employees and only requires it in the new hybrid system. This change in this section reduced the original fiscal impact.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: White Pine County

Approved by: Elizabeth Frances, Finance Director

Comment: The reduction from 40.5% to 9% for Police/Fire and from 28% to 6% for regular employees with the change in requirement that local governments pay an additional 6% to PERS of only those employees enrolled in the hybrid retirement plan will result in savings to the County. At this time and accurate amount cannot be calculated.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: **City of Henderson**

Approved by: Mike Cathcart, Business Operations Manager

Comment: The proposed legislation would have considerable fiscal impact on the City of Henderson. By not adding new employees into the current PERS plan it is the City's belief that future actuarial studies will recommend sizeable increases in the annual contributions for public entities and employees.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$7,000,000	\$9,800,000

City/County: **City of Las Vegas**

Approved by: Michelle Thackston, Administrative Secretary

Comment: If this bill should passes there will be a significant fiscal impact to the city in actual increases in contributions to PERS and in the implementation of the new program (reprogramming, training, etc.). Approximately \$13M in increased contributions will be incurred for the acceleration of the unfunded liability payments included in the PERS contribution as well as additional administration and implementation costs (undeterminable at this time). The impact over the next three years would be the following:

FY16

FY17 \$ 15.0M

FY18 \$ 16.5M

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$15,000	\$16,500

City/County: **City of Mesquite**

Approved by: David R Empey, Finance Director

Comment: Very supportive of the idea of transitioning to a combination of Defined Benefit & Defined Contribution Plans. Some savings will occur after the effective date of July 1, 2016...although likely to be insignificant due to the lack of employee turnover. Under the current defined benefit plan, Mesquite pays approx \$2.65million annually since FY2010. Our annual budget deficits run about \$1.3million. We need some relief under the current retirement system because it is currently not sustainable in the long term nor the short term....regular employee rates at 27.5% and public safety rates at 40.5%. This current defined benefit plan is an area where relief is needed.

As I read through the proposed bill language, there are several questions / comments for the following Section references...

Sec 4 -7(a)& (b) regarding the 6% / 9% member contribution %'s....can the employee select any % not to exceed the 6% /9% percentages?

Sec 4 -8(a)& (b) regarding the 6% / 9% employer contribution %'s....if the employee can elect a deferral of less than 6% / 9%...will the employers contribution be same as the employee's elected deferral rate?

Sec 6 - refers to the employers required additional 6% contribution based on 'compensation'...when is this 'contribution' to be paid...by pay period, quarterly, annually? How is 'compensation' to be defined? As is currently defined by PERS? How is it to be calculated? What is the mechanism for employees to enroll or transfer to this hybrid plan? How will the employer be duly notified?

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: **City of Sparks**

Approved by: Jeff Cronk, Financial Services Director

Comment: This bill proposes a new retirement plan that would establish a combined maximum contribution of 18% from employers for regular members and 21% for police/fire members. That would be a reduction from the current amount of 28% for regular members (as of July 2015) and 40.5% for police/fire members. As this new plan would only be applicable to new employees hired on or after July 1, 2016, the financial benefit from those rate reductions is unknown at this time, but is expected to be rather small for the City of Sparks during the initial years of implementation. However, there is some concern regarding the cost impact to employers that would result from continuing to fund the currently existing plan. Based upon information we received from PERS representatives, we understand that PERS may need to change their actuarial assumptions that ultimately determine the contribution rate that employers must pay. We understand that these initial estimates would result in an approximate 15% point increase. If these initial estimated contribution rate increases come to fruition, based on the City of Sparks' current amount of PERS covered payroll, the estimated cost to the City of Sparks would be approximately \$4.8 million per year beginning in fiscal year 2015-2016. This initial fiscal impact estimate would be expected to change significantly of course (either up or down) should the PERS actuarial determination differ from their initial estimates.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$4,800,000	\$4,800,000

School District: **Clark County School District**

Approved by: Nikki Thorn, Deputy CFO

Comment: CCSD still considers the rewrite of this bill to have impact. This bill proposes to make a number of changes to PERS. The bill incorporates proposed rate changes to the actuarially required contribution rates and related assumptions. Because of the proposed changes to actuarial assumptions, CCSD does not feel it can accurately calculate the effect of these changes. However, for every one percent change to the PERS contribution rate, CCSD has increased costs of \$13.6 million across all employee groups per year. In November 2013, Aon Hewitt presented the results of the Governor's requested independent study of PERS, which can be found on the PERS website.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

School District: Douglas County School District

Approved by: HOLLY LUNA, CFO, BUSINESS SERVICES

Comment: Douglas County School District would be impacted by the change in employer contributions. However, because the current estimate of the unfunded liability is greater than 15%, the district would be required to continue to pay an additional 6% of the compensation of new employees post 07/01/2016 until the unfunded liability is reduced. New hires are generally Classified, not Certified, and therefore are likely to currently select the employer/employee PERS @ 13.25%. Additionally, the district is in a declining enrollment era with 10 years of decline. Given these basic acknowledgments, there is not sufficient information to determine or calculate the effects or to provide a meaningful or substantial submittal on behalf of the school district other than to approximate 1.25% savings of compensation of new hires as they are generally Classified, along with an estimated replacement of 5 -10 Certified new hires as replacement for retirees.

? Currently, 341 Classified employees

? Total Salaries = \$7,824,681, or \$22,946.28 on average

? 1.125% ~ \$8,891/year in estimated savings for 31 employees (on average turn-over)

? Currently, 412 Certified employees

? Total Salaries = \$22,833,909, or \$55,422 on average

? 13.75% ~ \$76,205/year in estimated savings for 10 employees (on average turn-over)

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	(\$85,000)	(\$85,000)

School District: Esmeralda County School District

Approved by: Monie L. Byers, Superintendent

Comment: The bill would have a positive impact on the school district.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

School District: Humboldt County School District

Approved by: David Jensen, Superintendent

Comment: Currently, HCSD expends \$412,000 monthly for eligible staff at the current rate of 25.75%. The proposed additional 6% premium on top of established rates would add \$96,000 monthly. This figure is prior to the applied increase effective July 1 shifting the new PERS rate to 28%.

At the current figure, this would require the district to release the equivalent of 12 certified staff members in order to meet this proposal. The district highly recommends that the proposal as presented not be supported. The figures provided above are based on if the district were able to absorb the cost at the current rate and with the current staffing pattern.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$1,152,000	\$1,152,000	\$2,304,000

School District: **Lincoln County School District**

Approved by: Steve Hansen, Superintendent

Comment: The additional 6% of the compensation of each newly hired employee after July 1 2016 who participates in the hybrid program and the 6% of the old employee who elects to transfer into the hybrid retirement program when it rises above 15% of the atuary of the system cannot be determined. We don't know how many employees that will include nor the 6% of their compensation.

For the most part, the cost of PERS liability to our district would begin to decrease given the language of the BDR.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

School District: **Lyon County School District**

Approved by: Philip Cowee, Director of Finance

Comment: The requirement that all public employers will make additional contributions to the System to reduce the unfunded liability is not fully explained or quantified. Additional information is needed for the fiscal impact ramification to the district.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

School District: **Nye County School District**

Approved by: Kerry Paniagua, Executive Secretary

Comment: No Impact

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
No Impact	\$0	\$0	\$0	\$0

School District: **Pershing County School District**

Approved by: Dan Fox, Superintendent

Comment: There would be a reduction in expenditures, however, there is insufficient information to provide any kind of an accurate estimate.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

School District: **Storey County School District**

Approved by: Robert Slaby, Superintendent

Comment: Impossible to deteremine future increase in cost.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

School District: Washoe County School District Approved by: Lindsay E. Anderson, Director of Government Affairs Comment: Washoe County School District cannot prepare a fiscal note on this as we don't have all the key data elements, the staff or the overall expertise (ie probably needs an actuarial study). Therefore WCSD will defer to PERS on the fiscal impacts.				
Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: Las Vegas Metropolitan Police Department Approved by: Rich Hoggan, Chief Financial Officer Comment: Based on the actuarial analysis from PERS, the defined contribution plan would require an immediate 15% increase to current rates to compensate for the lack of new member revenue. This would be shared between the employee and employer and, under the proposed law, the employer would be responsible for an additional 6% increase resulting in a \$57.6m increase over current the current contributions. Based on average separations, savings from the defined contribution plan should offset that increase by approximately \$4.7m annually. We project it would take 12 years to offset increased costs for the defined benefit plan ,and 25 years to recoup the projected increase costs to the defined benefit plan through new hires now on the defined contribution plan. This assumes consistent contribution rates.				
Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$52,904,041	\$273,711,508

The following cities, counties and school districts did not provide a response: Douglas County, Eureka County, Lander County, Lincoln County, Lyon County, Mineral County, Nye County, Pershing County, Storey County, Boulder City, City of Elko, City of North Las Vegas, Carson City School District, Churchill County School District, Elko County School District, Eureka County School District, Lander County School District, and Mineral County School District.