

**LOCAL GOVERNMENT
FISCAL NOTE**

AGENCY'S ESTIMATES

Date Prepared: February 6, 2017

Agency Submitting: Local Government

Items of Revenue or Expense, or Both	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	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. 71 / BDR 23 - 429

City/County: Carson City Approved by: Nancy Paulson, CFO Comment: This bill will have an impact to Carson City, but the amount is unknown at this time.				
Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: Churchill County Approved by: Eleanor Lockwood, County Manager Comment: BDR 23-429 would have a fiscal impact on Churchill County, although it is difficult to determine / estimate with the information given at this time. In the long term, agencies will have a reduction in their PERS contributions. The bill indicates the employer contribution will be reduced to 6% and the employee contribution will be at least 6% (for the defined contribution plan). For the defined benefit plan, the bill requires employees to make up any difference between the 6% the employer pays and the actuarial costs to fully fund the program. The unknown has to do with employees who are currently enrolled in PERS. Since active employees are the ones who pay for current retirees, there will be a shortfall in contributions if the contribution rate is reduced to 6%. The bill is unclear how that shortfall will be addressed. Either the public agency will have to contribute more to PERS for current and future retirees who are covered under the old system, or the additional costs will be passed on to the new employees, or the State of NV would contribute to pay the remaining unfunded liability in the PERS plan. This bill would have a major impact in being able to attract and retain employees, which very well may lead to higher wages. This bill has a huge potential for "unintended consequences" and significant negative fiscal impacts.				
Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: **Clark County**

Approved by: David Dobrzynski, Asst. Director of Finance

Comment: Bill provides for the establishment of a hybrid retirement program for new employees hired after July 1, 2018. A defined benefit plan and a defined contribution plan. Each plan has various provisions. The bill draft has a maximum public employer contribution rate equal to 12 percent of a member's compensation (6% DB, 6% DC) plus 6% until such time that the system's unfunded liability is 15% or less. The bill appears to close the existing PERS plan which will impact cost of the current plan due to declining payroll base of the existing system, it is expected, based on an actuarial estimate, that contribution rates for existing PERS members would rise between 25 to 35 percent.

The hybrid retirement program has provisions that effect Regular Employees and Public Safety Employees in dramatically different ways. New provisions shift the risk/reward of investment returns toward the employee, causing striking fluctuations in employee contribution rates over time. Also, the bill further complicates employee contribution rates by requiring personalized actuarial calculations for the defined benefit side of the hybrid plan which will result in unequal retirement benefits.

Due to lack of details in the bill and the multitude of assumptions and probabilities that go into analyzing the cost of this proposed Hybrid Plan, including an unknown number of current members who may elect to join the hybrid plan, a complete fiscal impact cannot be determined.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: **Esmeralda County**

Approved by: Karen Scott, Auditor/Recorder

Comment: Depending on how the bill is implemented, would determine the future cost to handle these changes. Right now there are a lot of unknowns to deal with.

1. what is the total of the unfunded liability that our County would be required to contribute to reduce the employer's share of the unfunded liability of the system? This could be a huge impact on the County.
2. Does the County have to pay the additional 6% on all employees?
3. PERS is one system combined with local gov't; why are they not part of this BDR?

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: **Humboldt County**

Approved by: Gina Rackley, Comptroller

Comment: This will have a fiscal impact, but at this time we are unsure what it will be. We have asked PERS for assistance and they replied that they will be providing more information as clarifications on this bill are cleared up.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: **Washoe County**

Approved by: Lisa Gianoli, Lobbyist

Comment: The BDR makes significant modification to the current Public Employees Retirement System (PERS). There will be a fiscal impact to the County with the proposed changes to the PERS system which would apply to members who have an effective date of membership on or after 7/1/2018. The impact cannot be calculated given the number of unknowns in the future that the BDR impacts.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: **White Pine County**

Approved by: Elizabeth Frances, Finance Director

Comment: The effect of changing the retirement system with an effective date of 7/1/2018 will result in cost savings beginning in fiscal year 2018-19. Calculated estimates reflect anticipated turnover and each successive year will result in an estimated additional savings of \$75,000 in retirement costs. This is approximately 5% of current total costs. This would be a positive fiscal impact to the County in the form of reduced expenses and more affordable employee benefit costs.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
No Impact	\$0	\$0	(\$75,000)	(\$225,000)

City/County: Carson City School District

Approved by: Andrew J Feuling, Director of Fiscal Services
Comment: It appears that the employer contribution to employee PERS/403b would be 12% in total versus the expected 28% for FY17. We have 67 new employees in FY17 with total PERS contributions totaling \$639,703. Under the hybrid plan, the district would have saved \$365,544. Assuming 100 new employees next year at a total wage of \$4,000,000 and a 28% PERS contribution, the district would save \$640,000. Assuming the new staffing numbers were consistent year-to-year, I would expect approximately \$600,000 savings per year. However, in FY18, employees would also be expected to provide 22% of their income to PERS and an additional 6% to the 403b on top of paying some benefit costs, I am sure we would have severe hiring shortages as few would want to be employed by the district. Also, I don't understand why any employee would voluntarily transfer to the hybrid system. The equivalent of 40% of their income would be going into retirement, but they would be funding 28% of it. The possible improvement in their retirement benefit upon retirement could not outweigh the fact of a serious reduction in take-home pay today. A brand new first year teacher in my district earning \$37,500 would have their pre-tax wage reduced to \$27,000. I will not be able to find highly qualified staff because there would be no incentive to go into public education in Nevada.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	(\$365,544)	(\$640,000)	(\$640,000)	(\$640,000)

City/County: Churchill County School District

Approved by: Phyllis Dowd, Director of Business Services

Comment: Churchill County School District (and all other public agencies participating in PERS) would be adversely affected by the proposed hybrid retirement plan. The current plan's contribution rates would increase substantially as fewer members contribute. The fact that the proposal states a flat 6% towards the unfunded liability would not come close to covering the increase. Looking at the past 10 years, the rate has gone up 8.25% and that is with new members being added and contributing.

The new plan would have a defined benefit of 1% per year – where is the incentive to retain a skilled workforce at lower wages than competing private employers. Please keep in mind that our employees still would not qualify for social security benefits.

Consider the cost to the employee with the hybrid plan. Our employees cannot afford an increase in their contributions as we have not been able to increase their wages for years. We have done “in lieu of raises” for past rate increases. Does that mean the District will have to increase wages to keep employees? Very likely.

These are some of the many reasons that this plan will adversely affect the District. The amounts cannot be calculated.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: **Clark County School District**

Approved by: Dillon Kay, Assistant Budget Director

Comment: Altering the multiplier from 2.5% to 1% and taxing the employee's compensation 6% for additional contribution payments, could severely impact the new hiring process.

Potential new hires could be driven away and look elsewhere do to a weaker retirement plan.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: **Douglas County School District**

Approved by: HOLLY LUNA, CFO

Comment: This BDR will have significant impact on future hires, and greatly reduce the District's burden of PERS costs. However, without knowing how many staff will be hired either as new employees due to new positions or as replacements for retired/termed employees, the District cannot conclusively estimate the fiscal impact, but recognizes that the fiscal impact would be a net positive for the school district for future hires.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: **Humboldt County School District**

Approved by: David Jensen, Superintendent

Comment: It is our strongest recommendation that this BDR not move forward for consideration. As we struggle to fill teacher vacancies, to alter the existing retirement system removes a strong consideration for candidates. The existing system, based on PERS reports, is a viable and solvent program that requires no modification. We are unable to determine a fiscal cost to the proposed language, however, strongly attest that such will lead to challenges to fill already difficult to fill positions. Please do not support his bill.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: **Lincoln County School District**

Approved by: Pam Teel, Superintendent

Comment: unsure of impact

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: Lyon County School District Approved by: Shawn Heusser, Director of Finance, LCSD Comment: No Impact				
Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
No Impact	\$0	\$0	\$0	\$0

City/County: Nye County School District Approved by: Kelly Wood, Executive Secretary Comment: Nye County School District may incur a fiscal impact since this deals with PERS.				
Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: Pershing County School District Approved by: Russell D. Fecht, Superintendent Comment: No Impact				
Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
No Impact	\$0	\$0	\$0	\$0

City/County: Washoe County School District Approved by: Lindsay E. Anderson, Director of Government Affairs Comment: PERS is in a better position to determine the impact.				
Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: **White Pine School District**

Approved by: Paul Johnson, CFO

Comment: Changes to PERS could have a profound impact on the District's contribution rate and dollars contributed to PERS. Changes to benefits will affect the District's ability to recruit and retain qualified personnel. In its current form, PERS is a tremendous recruiting incentive for staff. Reducing the contribution rate to 6% would undoubtedly erode the PERS benefit long-term and local governments may not be able to offset the decrease in PERS benefits through wages. The Direct contribution amount will decrease over time but there will also be an offsetting impact through collective bargaining. This impact will be reactive and difficult to measure at this time. The District loses approximately 7% of its staff through attrition each year. This BDR would affect employees hired after 7/1/2018. Based on this turnover rate, the District would hire approximately 11 positions each year. In order to provide a reasonable estimate, the District has assumed an average base wage of approximately \$35,000 per year per employee. Using a contribution rate of 6% instead of the current rate of 28% could result in annual savings of approximately 22% of the base wage in the short-term. This does not take into account any impact that may be caused to the existing contribution rate for employees already on PERS. A more accurate impact should be obtained from PERS.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	(\$84,700)	(\$84,700)

City/County: **City of Henderson**

Approved by: Mike Cathcart, Business Operations Manager

Comment: This legislation will have a significant fiscal impact to the City of Henderson if enacted. The calculation of this fiscal note used the assumptions provided by the Public Employees' Retirement System of contribution rates for the defined benefit plan going from 28% to 37.74% for regular members and 40.5% to 49.97% for public safety members.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$7,000,000	\$6,200,000	\$10,000,000

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

Approved by: Michelle Thackston, Administrative Assistant

Comment: The amounts listed are estimates based on the information we have at this time. Most of the collective bargaining agreements are in effect until Jun 30th, 2016 so future salaries/wages are not known. Also, it may have an impact on the city's ability to recruit and retain new employees to work for government as the additional 6% new PERS member contribution is almost equal to the 6.2% social security tax.

This Fiscal Year

Personnel - \$0

Explanation - Effective start date is July 1st, 2018 so fiscal year 2019 will be the first year with an impact.

Non Personnel \$0

Explanation – Effective start date is July 1st, 2018 so fiscal year 2019 will be the first year with an impact.

Total \$0

Next Fiscal Year

Personnel - \$200,000

Explanation – Rough estimates of cost. Hire 2 employees to implement, monitor and audit that the city is in compliance with the new plan for new members only. Existing employees will need to be maintained under the current plan.

Non Personnel \$ 200,000

Explanation – Rough estimate of cost to implement the changes in the payroll system to assist with compliance. The cost could be higher depending on the criteria.

Total \$400,000

Following Fiscal year

Personnel - \$ 214,000

Explanation – Additional 7% for employees (step and COLA)

Non Personnel \$14,000,000

Explanation – Approx. \$14M in increased contributions will be incurred due to the acceleration of the unfunded liability payments included in the PERS contribution

Total \$14,214,000

Future Biennia

Personnel - \$230,000

Explanation – Additional 7% for employees (step and COLA)

Non Personnel \$15,500,000

Explanation – The PERS contributions including the new portion for the unfunded liability would increase every year as employees' salaries increase

Total \$15,730,000

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$400,000	\$14,214,000	\$15,730,000

City/County: **City of Reno**

Approved by: Tillery Williams , Management Analyst

Comment: This is a bill that would have a major impact on the PERS system and City costs. Unfortunately, the actuarial numbers would have to be created by PERS to see the true impact. The impact that this will have on the current system would have to be determined. The current system takes into account that the new members are helping to pay down the unfunded liability. If this flow is stopped, the contribution rate for current employees would have to be raised, with unknown cost impact (PERS needs to calculate).

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: **City of Sparks**

Approved by: Jeff Cronk, Financial Services Director

Comment: The fiscal impact from this bill is expected to be quite costly by increasing the retirement contributions made by local governments. However, the exact cost impact is impossible for a local government to determine as contribution rates are ultimately set by actuarial valuation that are presented to the PERS Board. As such, we would defer to the fiscal analysis which will likely be provided by PERS staff and any actuarial analysis they will likely obtain.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

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