

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2334H.03C
Bill No.: HCS for HB 1229
Subject: Retirement Systems and Benefits - General; Boards, Commissions, Committees,
and Councils; Treasurer, State; Employees - Employers
Type: Original
Date: March 31, 2021

Bill Summary: This proposal establishes provisions relating to workplace retirement savings plans.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	\$0 to (Unknown, Could exceed \$2,000,000)	\$0 to (Unknown, Could exceed \$2,000,000)	\$0 to (Unknown, Could exceed \$2,000,000)
Total Estimated Net Effect on General Revenue	\$0 to (Unknown, Could exceed \$2,000,000)	\$0 to (Unknown, Could exceed \$2,000,000)	\$0 to (Unknown, Could exceed \$2,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Missouri Workplace Retirement Savings Administrative Fund	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Missouri Workplace Retirement Savings Administrative Fund – State Treasurer’s Office	0 or 2	0 or 2	0 or 2
Total Estimated Net Effect on FTE	0 or 2	0 or 2	0 or 2

- ☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☒ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning** assume this bill would establish the Missouri Workplace Retirement Savings Administrative Fund. Revenues deposited into the newly-created fund in the form of gifts, donations, grants or fees could increase Total State Revenue. Any new application, account, administrative, or other fees deposited into the fund could impact the calculation pursuant to Art. X, Sec. 18(e). Additionally, to the extent that individuals elect to make pre-tax contributions into a qualified retirement plan under this section, TSR could be impacted.

Officials from the **Department of Revenue** assume this proposal allows businesses to create a deferred compensation system. They already have the ability to do so under current law. This would just allow multiple businesses to band together to do it. Since they can already create such systems we believe this is no impact. While, Section 285.1015.2(6) allows that pretax contributions can be contributed and those pretax contributions could potentially have an impact on general revenue and TSR, they believe that given that current law allows these programs they are not sure this would result in any additional impact to the state.

Officials from the **State Treasurer's Office (STO)** state their office does not currently deal with retirement savings nor have the capacity to take on the duties necessary to begin a program like the Missouri Secure Choice Savings Program.

STO does not operate any similar programs and does not currently have the resources to absorb the duties assigned to support the startup of the Missouri Secure Choice Savings Board. As such, we have estimated a minimum of two (2) FTEs being required to support the Board and the Program.

STO has assigned these costs to the General Revenue Fund as these duties are beyond the scope of permitted expenditures from the State Treasurer's General Operations Fund pursuant to Section 30.605 RSMo, which authorizes the Treasurer to retain interest to fund the office functions pertaining to the management of state funds. The basis point cap included within this section cannot absorb additional functions without being raised above 15 basis points. Oversight will assume the STO's administrative costs will be incurred in the new fund.

Officials from the **Office of the Governor, Missouri House of Representatives** and the **Missouri Senate** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight assumes this proposal creates the Missouri Workplace Retirement Savings Plan and creates the Missouri Workplace Retirement Savings Board comprised of nine members.

Oversight assumes this proposal allows employees enrolled in the program to contribute 5% of their wages to the plan. The plan allows voluntary pre-tax or designated Roth 401(k) contributions and is only available to employers that currently do not offer specified tax-favored plan for their employees and employ less than one hundred employees. Therefore, Oversight assumes this proposal could result in a revenue loss from pre-tax contributions that otherwise would have been taxed.

Oversight notes, in 2016, Oregon created a state-based retirement savings program called [OregonSaves](#). The program allows employees and workers to enroll in an automatic payroll deduction to Roth IRAs for self-employed workers and employees that are not offered retirement savings options through their employer. Based on the [OregonSaves 2018 Annual Report to the Legislature](#), the combined retirement savings of the program was approximately \$10.9 million.

Oversight notes, based on a Supplemental Appropriation Request, the Oregon State Treasury was appropriated \$1,021,497 (approximately \$500,000 annually) for staffing and other costs during the 2015-2017 biennium with an additional appropriation for \$252,372 for legal expenses. For the 2017-2019 biennium, the Oregon State Treasury was appropriated \$2,187,774 with a supplemental request for an additional \$1,834,033 for a total of \$4,021,807 in General Funds (approximately \$2,000,000 annually). Oversight notes the OregonSaves program was created with different groups being phased in over time. Based on the Annual Report, the program has a participation rate of 72.75%.

Oversight assumes the administrative impact of the proposal could be similar to the cost experienced by the OregonSaves program, approximately \$2,000,000 per year. Oversight will show a cost that could exceed approximately \$2,000,000 per year. Additionally, Oversight notes this program is subject to appropriation; therefore, Oversight will show the cost as \$0 (no appropriation) to the cost estimated above as appropriated by the General Assembly.

Oversight assumes start-up costs would diminish over time as the fund becomes self-sustaining. The start-ups costs provided by the State would be repaid by the board with moneys on deposit which may have a positive impact on General Revenue in the future; however, Oversight is unsure when this would occur.

Oversight assumes this proposal creates the Missouri Workplace Retirement Savings Administrative Fund which consists of moneys appropriated by the General Assembly, transferred from the federal government, state agencies or local governments, from the payment of fees, gifts, donations, or grants for administrative purposes for the Missouri Workplace Retirement Savings Plan. Oversight assumes that costs and revenues would net to zero or revenues would exceed costs as the fund becomes self-sustaining.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Revenue Loss</u> - from pre-tax contributions that otherwise would have been taxed p. 4	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Transfer Out</u> - to Missouri Workplace Retirement Savings Administrative Fund p. 4	\$0 to (Unknown, Could exceed \$2,000,000)	\$0 to (Unknown, Could exceed \$2,000,000)	\$0 to (Unknown, Could exceed \$2,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to (Unknown, Could exceed \$2,000,000)	\$0 to (Unknown, Could exceed \$2,000,000)	\$0 to (Unknown, Could exceed \$2,000,000)
<u>FISCAL IMPACT – State Government Continued</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
MISSOURI WORKPLACE RETIREMENT SAVINGS ADMINISTRATIVE FUND			
<u>Revenue Gain</u> - from fees, gifts, donations or other funds	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Transfer In</u> - from General Revenue p. 4	\$0 to Unknown, Could exceed \$2,000,000	\$0 to Unknown, Could exceed \$2,000,000	\$0 to Unknown, Could exceed \$2,000,000
Cost – STO p. 3			

Personal Service	\$0 or (\$128,711)	\$0 or (\$155,998)	\$0 or (\$157,558)
Fringe Benefits	\$0 or (\$60,238)	\$0 or (\$72,757)	\$0 or (\$73,232)
Equipment & Expense	\$0 or (\$28,500)	\$0 or (\$10,918)	\$0 or (\$11,246)
<u>Total Cost</u>	\$0 or (\$217,449)	\$0 or (\$239,673)	\$0 or (\$242,036)
FTE Change – STO	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
<u>Costs - Board - administrative, travel expenses, legal, IT, staff and other start-up costs</u>	\$0 or (Unknown, Could exceed \$1,782,551)	\$0 or (Unknown, Could exceed \$1,760,327)	\$0 or (Unknown, Could exceed \$1,757,964)
ESTIMATED NET EFFECT ON WORKPLACE RETIREMENT SAVINGS ADMINISTRATIVE FUND	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
Estimated Net FTE Change on the Workplace Retirement Savings Administrative Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Oversight assumes there could be a fiscal impact to small businesses that participate in the program.

FISCAL DESCRIPTION

This bill establishes the "Missouri Workplace Retirement Savings Plan", which is a multiple-employer retirement saving plan treated as a single plan under Title I of The Employee

Retirement Income Security Act of 1974 (ERISA) under 401(a), 401(k), and 413(c) of the Internal Revenue Code, in which multiple employers may voluntarily choose to participate regardless of whether any relationship exists between and among the employers other than their participation in the plan.

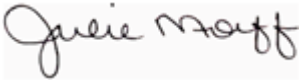
The bill establishes the "Missouri Workplace Retirement Savings Board" in the office of the State Treasurer. The Board consists of nine members, including three members appointed by the Speaker, and three members appointed by the President Pro Tem of the Senate, with the State Treasurer serving as chair. The Board shall design, develop and implement the Plan as outlined in the bill. The Board shall establish the Plan so that individuals can begin making contributions to the Plan no later than September 1, 2023.

Any employer joining the Plan shall not be liable for an employee's decision to participate in or opt out of the Plan, the employee's decision on which investments to choose, or the administration, investment, investment returns, or investment performance of the Plan.

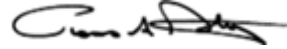
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Revenue
Office of the Secretary of State
Office of the State Treasurer
Office of the Governor
Missouri House of Representatives
Missouri Senate
Joint Committee on Administrative Rules

A handwritten signature in black ink that reads "Julie Morff". The signature is written in a cursive, flowing style.

Julie Morff
Director
March 31, 2021

A handwritten signature in black ink that reads "Ross Strobe". The signature is written in a cursive, flowing style.

Ross Strobe
Assistant Director
March 31, 2021