

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0715H.011
 Bill No.: HB 155
 Subject: Retirement Systems and Benefits - General; Employees - Employers; Treasurer, State; Boards, Commissions, Committees, and Councils
 Type: Original
 Date: February 10, 2023

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
Show-Me My-Retirement 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 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Show-Me My-Retirement Administrative Fund – State Treasurer’s Office	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
Total Estimated Net Effect on FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

- 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 2024	FY 2025	FY 2026
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Treasurer** did not respond to **Oversight's** request for fiscal impact for this proposal.

In response to a similar proposal, SCS HCS HB 1732 (2022), officials from the **State Treasurer's Office (STO)** stated 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 Show-Me MyRetirement Savings Board. The 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 Show-Me MyRetirement Savings Board. As such, the STO has 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 assumes the STO's administrative costs will be incurred in the new fund.

Officials from **Office of Administration - Budget and Planning (B&P)** assume this proposal would establish the Show-Me MyRetirement 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 **Department of Revenue (DOR)** assume this proposal allows businesses to create a program similar to the state employee's deferred compensation system. It should be noted that businesses already have the ability to do so under current law. This would just create a system by which multiple businesses could band together to form this deferred compensation plan. While, Section 285.1015.2(7) allows that pretax contributions can be contributed and those pretax contributions could potentially have an impact on general revenue and TSR, DOR officials believe that given that current law allows these programs and are not sure this would result in any additional impact to the state.

The proposal has the potential to negatively impact DOR, but the extent of the impact is unclear. One section of the proposal (Section 285.1025) insulates employers against any adverse Missouri tax consequences as a result of participating in the Show-Me MyRetirement Plan, which would likely affect tax administration with respect to these employers in some situations. Section 285.1010.2 requires a state agency to cooperate with others and Section 285.1010 may give the board that oversees these plans the ability to alter Missouri withholding tax forms. Section 285.1015 authorizes the board to use state agency's infrastructure. If any of these requirements lead to affecting Missouri employer tax filings or authorize the use of DOR's infrastructure, these actions could have a negative fiscal impact on the Department. The impact is unknown but has the potential to be substantial.

Oversight assumes the DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Officials from the **Office of the Governor** state this proposal adds to the governor's current load of appointment duties. Individually, additional requirements should not fiscally impact the Office of the Governor. However, the cumulative impact of additional appointment duties across all enacted legislation may require additional resources for the Office of the Governor.

Officials from the **Office of Administration, Missouri Senate** and the **Missouri House of Representatives** 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 Show-Me MyRetirement Plan and creates the Show-Me MyRetirement Plan Board comprised of nine members.

Oversight assumes this proposal allows employees enrolled in the program to contribute 1% 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 fifty 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 Show-Me MyRetirement 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 Show-Me MyRetirement 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 (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with its core budget. Therefore, the SOS reserves 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 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Revenue Loss</u> - from pre-tax contributions that otherwise would have been taxed (p. 3-4)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Transfer Out</u> - to Show-Me My-Retirement Savings Fund – to start up / administer the program (p. 3-4)	\$0 to (Unknown, Could exceed <u>\$2,000,000</u>)	\$0 to (Unknown, Could exceed <u>\$2,000,000</u>)	\$0 to (Unknown, Could exceed <u>\$2,000,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to (Unknown, Could exceed <u>\$2,000,000</u>)	\$0 to (Unknown, Could exceed <u>\$2,000,000</u>)	\$0 to (Unknown, Could exceed <u>\$2,000,000</u>)
SHOW-ME MY-RETIREMENT ADMINISTRATIVE FUND			
<u>Revenue Gain</u> - from fees, gifts, donations or other funds (p. 3-4)	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Transfer In</u> - from 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
Cost - STO	\$0 or ...	\$0 or ...	\$0 or ...
Personal Service	(\$75,983)	(\$92,092)	(\$93,013)
Fringe Benefits	(\$48,572)	(\$58,618)	(\$58,953)
Expense & Equipment	(\$28,500)	(\$10,918)	(\$11,246)
Total Cost - STO	(\$153,055)	(\$161,628)	(\$163,212)
FTE Change - STO	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

<u>FISCAL IMPACT – State Government</u> Continued	FY 2024 (10 Mo.)	FY 2025	FY 2026
Costs - Board - administrative, travel expenses, legal, IT, staff and other start-up costs (p. 3)	\$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 SHOW-ME MY-RETIREMENT ADMINISTRATIVE FUND	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
Estimated Net FTE Change on the Show-Me My-Retirement Administrative Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill establishes the "Show-Me MyRetirement Savings Administrative Fund", 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 "Show-Me MyRetirement Savings Administrative Fund" shall consist of:

- (1) Moneys appropriated by the General Assembly;
- (2) Moneys transferred from the federal government, other state agencies, or local governments;
- (3) Moneys from the payment of application, account, administrative, or other fees and the payment of other moneys due to the Show-Me MyRetirement Savings Board;
- (4) Any gifts, donations, or grants made to the state of Missouri for deposit in the Administrative Fund;

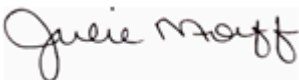
- (5) Moneys collected for the Administrative Fund from contributions to, or investment returns or assets of, the plan or other moneys collected by or for the plan or pursuant to arrangements established under the plan to the extent permitted under federal and Missouri law; and
(6) Earnings on moneys in the Administrative Fund.

The bill establishes the "Show-Me MyRetirement Savings Board" in the office of the State Treasurer. The Board consists of nine members including two members appointed by the Governor with the advice and consent of the Senate, three members appointed by the Speaker with one Representative from the minority party, and three members appointed by the President Pro Tem of the Senate with one Representative from the minority party, with the State Treasurer or his or her designee serving as chair. The Board shall design, develop and implement the "Show-ME MyRetirement Savings 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, 2025. The Board has the discretion to structure staged or phased-in implementation of the Plan which shall be substantially completed on or before September 1, 2025.

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



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