

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1366S.01I
 Bill No.: SB 298
 Subject: Boards, Commissions, Committees and Councils; Employees-Employers;
 Treasurer, State
 Type: Original
 Date: February 23, 2021

Bill Summary: This proposal creates new provisions relating to retirement savings plans for private-sector employees.

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
Total Estimated Net Effect on FTE	0	0	0

- 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).

Officials from the **Department of Revenue, Office of the State Treasurer, 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.

Upon further inquiry, the **Department of Revenue** stated that this proposal does allow in section 285.1015.2(6) that pretax contributions be allowed to be contributed. Pretax contributions could potentially have an impact on general revenue and total state revenues (TSR). However, given that current law allows these programs, DOR is not sure this would result in any additional impact to the state.

Officials from the **Office of the Governor** state section 285.1005 establishes the “Missouri Workplace Retirement Savings Board” within the office of the state treasurer. In addition to others, the board shall consist of the following members appointed by the Governor with the advice and consent of the Senate: an individual who has a favorable reputation for skill, knowledge, and experience in the field of retirement savings and investments and an individual who has a favorable reputation for skill, knowledge, and experience relating to small business. These initial appointments will begin on January 1, 2022.

Section 285.1050 states that by August first of each year, the board shall submit to the Governor, among others, a public report on the operation of the plan and trust and activities of the board, including an audited financial report, prepared in accordance with generally accepted accounting principles, detailing the activities, operations, receipts, and expenditures of the plan and board during the preceding calendar year.

There should be no added cost to the Governor’s Office as a result of this measure.

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 do not offer specified tax-favored plan for

their 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

<u>FISCAL IMPACT – State Government</u> Continued	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	\$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>Costs</u> - Board - administrative, travel expenses, legal, IT, staff and other start- up costs	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON WORKPLACE RETIREMENT SAVINGS ADMINISTRATIVE FUND	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

<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 as a result of this proposal.

FISCAL DESCRIPTION

This act establishes new provisions relating to retirement savings plans for private-sector employees.

THE MISSOURI WORKPLACE RETIREMENT SAVINGS PLAN

(Sections 285.1010-285.105 and 285.1050-285.1055)

The act creates the Missouri Workplace Retirement Savings Plan, which is a multi-employer retirement plan. The plan is to be designed, developed, and implemented by the Missouri Workplace Retirement Savings Board in accordance with the limitations and requirements set forth by the act. For each employee that is enrolled in the program, 5% of his or her salary or wages are automatically contributed to the plan, unless another amount is otherwise requested by the employee. The Board is permitted to provide for an annual increase in the contribution amount of each employee. Such increase shall not be by more than 1% per year. The plan is required to be fully implemented no later than September 1, 2022.

An annual audit is required to be conducted of the Missouri Workplace Retirement Savings Plan, the Missouri Workplace Retirement Savings Board, and the trust in which the assets of the plan are held. Such audit shall be completed by a certified public accountant and be submitted to the Governor, Treasurer, President Pro Tem of the Senate, and Speaker of the House of Representatives.

THE MISSOURI WORKPLACE RETIREMENT SAVINGS BOARD

(Sections 285.1005, 285.1020, and 285.1040)

The act creates the Missouri Workplace Retirement Savings Board, of which the State Treasurer shall be the chair. With the exception of the Treasurer, all members of the Board are appointed by the Governor, the President Pro Tem of the Senate, or the Speaker of the House of Representatives. Such members shall serve at the pleasure of the appointing authority, but in no event longer than four years.

The Board is required to conduct outreach to individuals, employers, stakeholders, and the public in general about the program. Such outreach shall take the form of informing of the benefits of tax-favored retirement saving and other information, as specified in the act.

The Board is permitted to enter into intergovernmental memoranda of understanding with the state and any agency of the state for the purpose of services needed to implement the plan.

LIABILITY OF EMPLOYERS AND THE BOARD

(Sections 285.1025 - 285.1030)

The act provides that no employer shall be liable, or bear responsibility, for an employee's decision to participate in the plan or for any result, decision, or action as a result of an employee participating in the plan.

Furthermore, the act exempts certain public entities from liability for any loss, deficiency, failure to realize gain, or other adverse consequences incurred as a result of participation in the plan by an employee.

NONDISCLOSURE OF INDIVIDUAL ACCOUNT INFORMATION

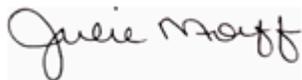
(Section 285.1035)

The act provides that certain individual account information under the plan shall be confidential and may only be disclosed as otherwise required under state or federal law, or at the request of the individual.

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 Governor
Missouri House of Representatives
Missouri Senate
Joint Committee on Administrative Rules



Julie Morff
Director
February 23, 2021



Ross Strobe
Assistant Director
February 23, 2021