

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1515-01
Bill No.: SB 293
Subject: Administration, Office of ; Boards, Commissions, Committees, Councils;
 Retirement Systems and Benefits - General
Type: Original
Date: April 2, 2007

Bill Summary: Transfer administration of the deferred compensation fund to the board of trustees for MOSERS.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$0	(\$80,000)	(\$80,000)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$80,000)	(\$80,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	0	(0.5)	(0.5)
Total Estimated Net Effect on FTE	0	(0.5)	(0.5)

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials from the **Department of Labor and Industrial Relations, Department of Transportation, MoDOT and Patrol Employees Retirement System, Missouri House of Representatives and Missouri Senate** assume no fiscal impact to their agencies.

Officials from the **Office of Administration - Division of Accounting** assume this proposal eliminates the Deferred Compensation Commission and transfers from the Office of Administration to MOSERS the responsibility to establish and administer a deferred compensation plan for the employees of the State of Missouri, effective August 28, 2007. The Office of Administration retains the responsibility for administration and reconciliation of payroll deductions from participants and the employer incentive match. 105.915 RSMo does not change the responsibility of OA to deem appropriate the investments included in the plan "including, but not limited to life insurance or annuity contracts or mutual funds". The competitive bidding responsibility for these investment options and any third party administrator contracts would be the MOSERS board.

The current contract with the third party administrator requires them to pay the state \$100,000 per year to reimburse the state for the administrative costs of the plan. The state costs include central payroll processing, reconciliation and controls, management staff oversight, involvement in day to day staff support of the plan and oversight of the third party administrator (currently CitiStreet). We anticipate that MOSERS will want the \$100,000 from the TPA and OA will retain most of the administrative cost they now have, including appropriate investment approvals and payroll administration of the state employer match.

Loss of Admin Reimbursement	(\$100,000)
Reduced Management Oversight (Loss of a part time position)	20,000
Net Loss to GR	(\$80,000)

Officials from the **Missouri State Employees Retirement System** assume this administrative change would appear seamless to the member of the deferred compensation program. The MOSERS board and staff would assume the monitoring function. It is our understanding that the plan currently

ASSUMPTION (continued)

requires the attention of approximately one FTE and we would not anticipate any initial staffing requirements beyond that level. Any need for additional future staffing would be assessed based on experience with the plan over time. The third party administration of individual accounts and the investment products available would continue to be handled by outside service providers paid from charges to the participants as is the current practice.

While not directly related to costs to the state, it is also possible that the total cost to plan participants might be reduced as the result of MOSERS being able to capitalize on the negotiating power that comes with managing a larger asset base. However, the magnitude of such possible cost savings is unknowable at this time.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Loss - Admin Reimbursement</u>	\$0	(\$100,000)	(\$100,000)
Reduced Management Oversight - Loss of a part time position			
Salary (0.5 FTE)	\$0	(\$13,883)	(\$13,883)
Fringe Benefits	<u>\$0</u>	<u>(\$6,117)</u>	<u>(\$6,117)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>(\$100,000)</u>	<u>(\$100,000)</u>
 Estimated Net FTE Change for General Revenue	 0	 (0.5)	 (0.5)
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<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.

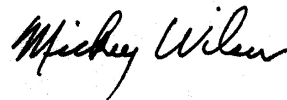
FISCAL DESCRIPTION

The proposed legislation transfers administration of the deferred compensatino fund to the board of trustees for the Missouri State Employees Retirement System..

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
Division of Accounting
Joint Committee on Public Employee Retirement
Department of Labor and Industrial Relations
Department of Transportation
MoDOT and Patrol Employees Retirement System
Missouri House of Representatives
Missouri Senate



Mickey Wilson, CPA
Director
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