

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1534-01
Bill No.: SB 290
Subject: Retirement Systems and Benefits - General; Retirement - State; State Employees
Type: Original
Date: March 11, 2009

Bill Summary: Modifies provisions of the state employee deferred compensation program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$0	(\$114,000)	(\$408,000)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$114,000)	(\$408,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Other State Funds	\$0	(\$76,000)	(\$272,000)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(\$76,000)	(\$272,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

- 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 2010	FY 2011	FY 2012
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 **MoDOT & Patrol Employees' Retirement System, Department of Conservation, Missouri State University, State Treasurer's Office, University of Missouri - Columbia, Missouri Western University, Lincoln University** and **Missouri Highway patrol** assume there will be no fiscal impact to their agency.

Officials from **Missouri Southern State University** assume there would be minimal fiscal impact to the university.

Officials from the **Missouri State Employees' Retirement System** assume the proposed legislation described in Fiscal Note No. 1534-01N (Senate Bill 290) would, if enacted, allow for automatic enrollment in the State of Missouri Deferred Compensation Plan, beginning September 1, 2009, for new employees. Under this proposal, eligible employees would automatically be enrolled in the plan and the employee would begin contributing an amount equal to the maximum appropriated state incentive contribution allowable under law (currently \$35 a month). The employer would begin contributing the state incentive contribution one year later. Employees who do not wish to participate may opt out when completing new employee information forms.

Under the legislation, the contribution rate for employees who are automatically enrolled would also adjust automatically for any changes to the maximum appropriated state incentive contribution. Employees employed by colleges or universities would not be automatically enrolled under the proposal; however, they could elect to participate in the plan. Also, employees who opt out of automatic enrollment may elect at a later date to participate in the plan.

The legislation would also allow the plan administrator, the MOSERS Board of Trustees, to amend plan documents for consistency with federal law. Lastly, provisions exist which clarify that employees who are compensated under a local payroll system (such as MOSERS and MCHCP) are eligible to participate in the plan.

ASSUMPTION (continued)

Under the current plan, employees must take action to participate. The plan's enrollment process is a three step procedure that requires an employee to (1) locate and provide their personal identification number (PIN), (2) call the plan administrator's toll free number or sign into the plan's website, and (3) make investment selections for their savings. Presently, 40% of state employees who are eligible to participate have not enrolled in the plan.

There are approximately 23,000 state employees who are eligible for the deferred compensation incentive who are not participating in the plan. The goal of the auto-enrollment provision is to encourage new hires to participate in the plan from their initial date of employment, and thus participate in the incentive arrangement one year from their date of hire.

Based on our research related to auto-enrollment provisions, we estimate that the net number of participants in the program would increase at the rate of 98 per month. Assuming the provision became effective for those hired September 1 or later of this year, and first becoming eligible for the incentive one year from their date of hire, the incremental amount of the state's incentive for fiscal year 2011 would be approximately \$190,000, with the annual increment thereafter being approximately \$680,000.

Officials from the **Office of Administration - Division of Accounting** assume this proposal creates a very difficult scenario to determine fiscal impact. The intent is to enroll all new employees into the deferred compensation plan with a provision to opt out. This proposal is not intended to affect current or transferring employees. (See MOSERS cost amount)

Officials from the **Office of Administration - Division of Budget & Planning** assume the proposal should not result in additional costs or savings to the Division of Budget & Planning. Budget & Planning defers to MOSERS for a specific estimate.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Cost - Deferred Compensation Incentive Contribution</u>	<u>\$0</u>	<u>(\$114,000)</u>	<u>(\$408,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>(\$114,000)</u>	<u>(\$408,000)</u>
OTHER STATE FUNDS			
<u>Cost - Deferred Compensation Incentive Contribution</u>	<u>\$0</u>	<u>(\$76,000)</u>	<u>(\$272,000)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$0</u>	<u>(\$76,000)</u>	<u>(\$272,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<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 act makes enrollment in the state deferred compensation program automatic for those state employees eligible for the plan hired on or after September 1, 2009. Contributions shall be effective on or after the first day of the month following the date of hire and shall be at least twenty-five dollars a month. Employees who do not want to contribute to the program may opt out of automatic enrollment, and at a later date decide to participate. The contribution rate for employees who are automatically enrolled adjusts automatically based on any increase in the state contribution that occurs after automatic enrollment. Employees who are automatically enrolled can change the amount of contribution. Employees of state colleges or universities would not be automatically enrolled.

FISCAL DESCRIPTION (continued)

On or after September 1, 2009, if a participant in the deferred compensation plan or the 401(a) plan established in section 105.927 is married, their surviving spouse will be automatically designated as their primary beneficiary, unless the surviving spouse consented in writing to allow the participant to designate someone else as their beneficiary. This automatic beneficiary designation does not apply to designations made prior to September 1, 2009.

The deferred compensation board is also authorized to adopt and amend plan documents to change terms and conditions of the deferred compensation plan that are consistent with federal law.

The act also allows the state treasurer to credit funds through a local payroll for qualified participants who are compensated from a local payroll 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

Joint Committee on Public Employee Retirement
MoDOT & Patrol Employees' Retirement System
Missouri Southern State University
Department of Conservation
Missouri State University
State Treasurer's Office
University of Missouri - Columbia
Missouri Western University
Missouri Highway Patrol
Lincoln University
Missouri State Employees' Retirement System
Office of Administration
 Division of Accounting
 Division of Budget & Planning



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