

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1326-02
Bill No.: HB 597
Subject: State Employees; Retirement - State
Type: Original
Date: March 11, 2009

Bill Summary: Changes provisions relating to the state employee deferred compensation

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 6 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, and Missouri Highway Patrol** assume there will be no fiscal impact to their agency.

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.

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.

ASSUMPTION (continued)

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.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** currently has 712 full-time employees and only 46 employees are not enrolled in deferred compensation. If all the 46 employees did not opt out of the automatic enrollment, the annual cost to the department programs would be \$19,320 at \$35 per month per employee.

Oversight assumes this proposal is for all employees eligible to participate in the plan hired on or after September 1, 2009, and that each employee shall automatically be enrolled in the plan. **Oversight** assumes this proposal does not apply to current employees who have declined to participate in the plan. **Oversight** will defer to MOSERS for a specific estimate.

FISCAL IMPACT - State Government

FY 2010
(10 Mo.)

FY 2011

FY 2012

VL:LR:OD (12/02)

GENERAL REVENUE

<u>Cost - Deferred Compensation Incentive Contribution</u>	<u>\$0</u>	<u>(\$114,000)</u>	<u>(\$408,000)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>(\$114,000)</u>	<u>(\$408,000)</u>
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OTHER STATE FUNDS

<u>Cost - Deferred Compensation Incentive Contribution</u>	<u>\$0</u>	<u>(\$76,000)</u>	<u>(\$272,000)</u>
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ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$0</u>	<u>(\$76,000)</u>	<u>(\$272,000)</u>
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<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

Beginning September 1, 2009, this bill makes enrollment in the state deferred compensation program automatic for each eligible new employee hired, except an employee of a state college or university. Contributions to the program will be effective on or after the first day of the month following the date of hire, and the contributions must be at least \$25 per month. An employee may change his or her contribution amount or opt out of the program at any time. The contribution rate for employees automatically enrolled will automatically adjust based on any increases in the state matching contribution, currently \$35 per month.

FISCAL DESCRIPTION (continued)

A member's surviving spouse will automatically be designated as the primary beneficiary, unless

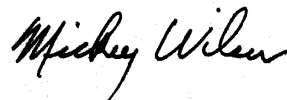
the surviving spouse consented in writing to allow the participating member to designate someone else as the beneficiary. The automatic beneficiary designation does not apply to designations made prior to September 1, 2009.

The State Treasurer may credit funds for qualified participants through 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
Department of Conservation
Missouri Highway Patrol
Missouri State Employees' Retirement System
Office of Administration
 Division of Accounting
 Division of Budget & Planning
Department of Labor and Industrial Relations



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Director
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