

SF413 - 2E - Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **Judiciary And Public Safety**
 Date Completed: **4/4/2023 3:02:00 PM**
 Lead Agency: **Secure Choice Retirement Program Board**
 Other Agencies:
 Administration Dept Attorney General
 Governors Office Investment Board
 Labor and Industry Dept Legislature
 Minn Management and Minn State Retirement System
 Budget
 Revenue Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Attorney General						
General Fund	-	-	-	399	399	
Governors Office						
General Fund	-	-	-	-	-	-
Investment Board						
Restrict Misc. Special Revenue	-	-	-	-	-	-
Legislature						
General Fund	-	-	-	-	-	-
Secure Choice Retirement Program Board						
General Fund	-	284	977	917	837	
State Total						
General Fund	-	284	977	1,316	1,236	
Restrict Misc. Special Revenue	-	-	-	-	-	-
Total	-	284	977	1,316	1,236	1,236
Biennial Total			1,261			2,552

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Attorney General					
General Fund	-	-	-	2	2
Governors Office					
General Fund	-	-	-	-	-
Investment Board					
Restrict Misc. Special Revenue	-	-	2	2	2
Legislature					
General Fund	-	-	-	-	-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Secure Choice Retirement Program Board					
General Fund	-	.59	3	3	3
Total	-	.59	5	7	7

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Jim Carlson **Date:** 4/4/2023 3:02:00 PM
Phone: 651-284-6540 **Email:** jim.carlson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Attorney General						
General Fund	-	-	-	-	399	399
Governors Office						
General Fund	-	-	-	-	-	-
Investment Board						
Restrict Misc. Special Revenue	-	-	-	-	-	-
Legislature						
General Fund	-	-	-	-	-	-
Secure Choice Retirement Program Board						
General Fund	-	284	977	917	917	837
	Total	-	284	977	1,316	1,236
	Biennial Total			1,261		2,552
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Attorney General						
General Fund	-	-	-	-	399	399
Governors Office						
General Fund	-	-	-	-	-	-
Expenditures	-	1	-	-	-	-
Absorbed Costs	-	(1)	-	-	-	-
Investment Board						
Restrict Misc. Special Revenue	-	-	246	246	246	246
Legislature						
General Fund	-	-	-	-	-	-
Expenditures	-	46	-	21	-	-
Absorbed Costs	-	(46)	-	(21)	-	-
Secure Choice Retirement Program Board						
General Fund	-	284	977	917	917	837
	Total	-	284	1,223	1,562	1,482
	Biennial Total			1,507		3,044
2 - Revenues, Transfers In*						
Attorney General						
General Fund	-	-	-	-	-	-
Governors Office						
General Fund	-	-	-	-	-	-
Investment Board						
Restrict Misc. Special Revenue	-	-	246	246	246	246
Legislature						
General Fund	-	-	-	-	-	-
Secure Choice Retirement Program Board						
General Fund	-	-	-	-	-	-
	Total	-	-	246	246	246
	Biennial Total			246		492

SF413 - 2E - Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **Judiciary And Public Safety**
 Date Completed: **4/4/2023 3:02:00 PM**
 Agency: **Secure Choice Retirement Program Board**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	284	977	917	837
Total	-	284	977	917	837
Biennial Total			1,261		1,754

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	.59	3	3	3
Total	-	.59	3	3	3

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 3/29/2023 8:19:07 AM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	284	977	917	837	
Total	-	284	977	917	837	
Biennial Total			1,261		1,754	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	284	977	917	837	
Total	-	284	977	917	837	
Biennial Total			1,261		1,754	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total	-	-	-	-	-	
Biennial Total			-		-	

Bill Description

The bill establishes a new state program to assist employees without access to an employer-sponsored retirement plan with saving for retirement. The bill applies to employers with ten or more employees doing business in Minnesota, including for-profit and non-profit, that do not offer a retirement plan. Government entities (like the State of Minnesota, the United States government, or the government of another country) are excluded from this bill.

Covered employers are required by the bill to enroll their employees in the program and withhold a percentage of each employee’s pay for transmittal to the State Board of Investment (SBI). Under the supervision of the SBI, an employee’s contributions will be deposited into an individual retirement account (IRA) and the employee will have the ability to direct the investment of the account into investment funds selected by the SBI. Employees may elect a different withholding percentage, cease contributions, or opt out of the program entirely. The IRAs will be held in a trust termed the “Secure Choice Trust” under the program.

The bill establishes a Board of Directors that will oversee the trust and decide on many of the details of the program, such as the percentage of pay to be withheld by employers. This board will consist of seven members:

- 1) The executive director of the Minnesota State Retirement System (MSRS), or designee. Member serves indefinitely.
- 2) The executive director of the State Board of Investments (SBI), or designee. Member serves indefinitely.
- 3) Three executives or operations managers chosen by the Legislative Commission on Pensions and Retirement (LCPR) with substantial experience in record keeping 401(k) plans, individual retirement accounts, and retirement plan investments. Members serve a two-year term.
- 4) A human resources or retirement benefits executive from a Fortune 500 company with substantial experience in administering the company's 401(k) plan, and a small business owner or executive, both appointed by the governor. Member serves two-year term.

Board members must be appointed by January 15, 2024, and the board must hold its first meeting by March 1, 2024. The board will also hire an executive director, who will establish an office and hire additional staff necessary to administer the program. The Department of Administration must provide the board office space within a state office building on the Capitol grounds. Administrative costs of the program are to be deducted from employee IRA accounts. The law requires that administrative costs be kept as low as possible.

The board must design, establish, and maintain payroll deduction arrangements by January 1, 2025. The Secure Choice Retirement program is required to be implemented over two years. In addition to the other duties of the board as stated in the bill, it can contract for third-party services. The board must also publish an annual report as to, in part, the plan

outcomes, progress, and data regarding participation in the plan.

The board must establish penalties for employers who do not comply with the requirements of the bill. At the request of the board, the Office of the Attorney General shall enforce the penalties imposed against non-compliant covered employers. The board must provide covered employers with written warnings for the first year of noncompliance before assessing penalties.

The board may accept gifts, grants, and donations as well as State appropriations or loans. The board, board staff, and SBI are identified as fiduciaries subject to relevant requirements from MS Ch 356A and are indemnified and held harmless by the State for reasonable costs, expenses or liability incurred as a result of litigation or administrative proceedings related to the plan. The bill states that the State of Minnesota has no liability for the payment of or losses related to the plan.

There are blank transfers from the general fund to the Secure Choice administrative fund in FY24 through FY27 with a transfer amount is \$0 starting FY2028 and thereafter.

Assumptions

The assumptions within this fiscal note are largely based upon review and analysis of relevant program information and data summarized by Georgetown University on State Facilitated Retirement Savings Programs. Additional program information was also provided by professional staff from OregonSaves (Oregon Treasury Savings Network), one of the first states to enact and implement an Auto-IRA Program. Other sources of information are stated in the reference section of this fiscal note.

For the purposes of this note, we assume that State appropriations will fund the start-up cost of the plan, including costs related to the Board as well as ongoing administrative costs to oversee the trust.

An important distinction between the SF413-2E fiscal note and the previous fiscal notes completed for the bill (SF413-0 and SF413-1A) is that an eligible employer has ten or more employees. In previous versions of the bill, an eligible employer was defined as having one or more employees.

According to the 2020 U.S. Census, County Business Patterns data, in Minnesota approximately 30 percent of employers have ten or more employees. As a result, the fiscal note assumes some reduced costs for marketing and outreach activities relative to previous iterations.

The bill has an implementation timeline with the board appointments needing to be done by January 15, 2024, the first meeting of the board needing to be held by March 1, 2024, and the program needing to be designed, established, and maintain payroll deduction arrangements by January 1, 2025. From our research as a part of this note preparation, a timeline of 12 to 24 months for startup is typical.

Costs incurred by other Minnesota entities such as the Minnesota Attorney General, and others, in support of the program will be enumerated in their fiscal notes on this bill and will not be covered by this note.

The five public members on the Board will be entitled to per diem compensation as provided by MS 15.059, Subd 3. The other two members (the executive director of MSRS or designee, and the executive director of SBI or designee) will be state employees, and not entitled to per diem compensation, and any expense cost will be reimbursed by their agency and addressed in fiscal note for that agency.

We assume that the Board will meet biweekly between March and June 30, 2024, for a total of 8 meetings in FY24. After July 1, 2024, the Board will meet bi-monthly through December 2024 and monthly starting January 2025, for a total of 18 meetings in FY25. In FY26 and thereafter, the board will meet monthly for a total of 12 meetings per year. All meetings will be held within the Capitol complex campus in St. Paul.

Public board member meeting participation costs include the following per member per meeting costs: per diem (\$55), \$100 round trip mileage (152 round trip mile average), meals (\$36/day) and lodging for half of the public members (\$150/night).

The executive director hired by the Board will begin work in April 2024, with additional staff being on-boarded in May of 2024 (FY24). The executive director will be a .25 FTE in FY24 (520 hours), and a 1.0 FTE in subsequent fiscal years (2,088 hours/FY). Additional staff will include a full-time office administrator with an expertise in contract management and

fiscal services for the board, and a full-time communication specialist/office assistant who will focus on employer and plan participant outreach and employer compliance in addition to other duties to support the board. These staff members will each be 0.17 FTEs in FY24 (354 hours), and 1.0 FTEs in subsequent fiscal years. Total staff time will thus be .59 FTE in FY24 (1,228 hours), and 3.0 FTE (6,264 hours) in subsequent fiscal years. Cost for staff will include salary, FICA cost, employer contribution for health insurance and employer contribution for state retirement General plan.

Office space would be identified on the Capitol complex through support from the Department of Administration. Office space will be leased beginning March 2024 for the administrative staff of the board. Rental cost will be ongoing. Cost will be incurred in FY24 for workstation and common space build-out, computer equipment.

Ongoing operational costs associated with the board includes, in part, supplies, specialized software, and professional development/training and travel for staff beginning FY24. Travel, marketing/communication cost, including material development, electronic distribution, and postage that will be more in FY24 and FY25 due to initial plan awareness efforts, however reduced cost will continue in subsequent years.

The board administrative office will utilize state payroll/HR, timecard and accounting systems. Indirect and statewide system cost of an estimated \$15K will be incurred each fiscal year beginning FY25.

We assume that the Board will contract with a third-party service provider for program administration functions, such as developing a web portal, record keeping, providing benefit statements to enrolled employees, and maintaining a help center to respond to employer and employee questions/comments. This is the practice of similar programs in other states. To be compliant with the date requirements as stated in the bill, an RFP will need to be issued in the spring of 2024 with a third-party service provider identified by the start of FY25.

Through conversations with OregonSaves, we have found that contracts with third-party service providers for this type of service are set up in one of two ways. First, the contract can be structured so the state pays a contract for a term of service. Our research shows that \$10 million over five years is a reasonable estimate for such a contract. The second way contracts are structured for this type of service is through allowing the third-party service provider to charge a fee to participants with no direct payment coming from the state. This second way of structuring these contracts is the more common practice among states that provide this type of program. It should be noted that a contract structured with an set cost to the state for a term of service would increase the fiscal impact of this legislation to the state.

For purposes of the fiscal note, we assume that a contract will be reached with a third-party service provider that will not require the state to pay the service provider directly, rather a system of fees will be applied to program participants.

One of the duties of the office administrator will be contract management including RFP development and contract negotiation and development. We assume that RFP assistance and contract assistance will be provided by a state agency with interagency cost of \$30K incurred in FY24 and then \$10K each fiscal year thereafter.

The principal legal costs incurred by the Board will be contract review and negotiation with a third-party service provider or review of agreements to partner with another state's program. Legal services will be provided by the Office of the Attorney General or, if the AG does not have expertise for a particular legal matter, by an outside law firm. Legal costs are estimated at \$75K incurred in FY24 (during the RFP development) and \$50K incurred in FY25 and will be paid in the same way as all other administrative costs. After these start-up services, we assume legal services of a projected \$10K each year beginning FY26, however the expense may be covered from assessing fines for employer non-compliance.

Officer insurance of \$30K will be procured for the board and administrative staff each fiscal year beginning FY25.

Administration functions taken on by the executive director and other in-house staff will include, in part, program outreach to advertise the program to employees and employers, identifying which employers are covered employers and their compliance, and preparing the annual report required by the bill.

Beginning in FY25, the board will retain a communication/marketing consultant to present program information to entities and individuals in counties, chambers of commerce meetings, business association meetings, community retirement planning meetings, and other events to help expand awareness, understanding, and participation in the program. Projected cost is \$100K for FY25 and \$100K for FY26. After FY26, communication/marketing consultant cost will be reduced to \$20K each fiscal year with the program outreach primarily done by board in-house staff.

We assume that in-house staff will collaborate with agencies such as Office of the Secretary of State, MN Department of Revenue, MN Department of Employment and Economic Development, to develop a list of covered employers, at no additional cost to the Board beyond staff time.

While the bill empowers the Board to accept gifts and other additional sources of funding, we assume it will receive no funds besides allocations from the state General Fund and fees deducted from employee IRA accounts.

This note does not project any specific elements of program design including participation estimates, minimum mandatory contribution rates, contribution rate acceleration, contribution rate program participation, program participation growth rates, trust fund balances or rate of return on employee IRA investments. The fiscal note assumes that all elements of program design will be completed by the board during the first year of operation.

The State Board of Investment (SBI) will provide services associated with selection and monitoring of investment options and any necessary financial and performance reporting and administrative obligations. The SBI fiscal note estimates costs of \$246,000 in FY25 and beyond resulting from hiring two FTE. The SBI will invoice the Secure Choice Retirement Program Board of Directors for the actual cost of the FTE.

This note does not address any state or federal tax deductions that participating employees may be able to take.

This note does not project any cost to covered employers for modification of payroll systems to allow the transfer into the trust fund or for any other compliance or communication cost they may incur.

Expenditure and/or Revenue Formula

Public Board Member Meeting Participation Cost				
Cost Category	FY24	FY25	FY26	FY27
Total Member Mtg Participation Cost	11,222	22,550	16,834	16,834
Staffing & Contract Cost				
Cost Category	FY24	FY25	FY26	FY27
Executive Director, Board Administration Office (.25 FTE FY24, 1.0 FTE FY25 & beyond)	49,194	196,863	196,863	196,863
Office Administrator (.17 FTE FY24, 1.0 FTE FY25 & beyond)	19,896	117,133	117,133	117,133
Communication Specialist Office Assistant (.17 FTE FY24, 1.0 FTE FY25 & beyond)	17,960	105,743	105,743	105,743
Total Staff Cost	87,049	419,739	419,739	419,739
Office Set Up and Operational Cost				
Cost Category	FY24	FY25	FY26	FY27

Office Set Up Cost (Build-Out, Furniture, Equipment)	42,600	0	0	0
Leased Office Space	6,131	18,392	18,392	18,392
Indirect, Training, Software and Supplies	17,086	40,758	40,758	40,758
Communication/Marketing & Travel	15,000	40,000	25,000	25,000
Total Office Set Up and Operational Cost	80,817	99,150	84,150	84,150
Contract Services Cost				
Cost Category	FY24	FY25	FY26	FY27
Legal Service Fees	75,000	50,000	10,000	10,000
Officer Insurance	0	30,000	30,000	30,000
Communication /Marketing Consultant	0	100,000	100,000	20,000
Interagency Cost	30,000	10,000	10,000	10,000
State Investment Board Services	0	246,000	246,000	246,000
Total Contract Service Cost	105,000	436,000	396,000	316,000
Total Cost				
Cost Category	FY24	FY25	FY26	FY27
Total Member Mtg Participation Cost	11,222	22,550	16,834	16,834
Total Staff Cost	87,049	419,739	419,739	419,739
Total Office Set Up and Operational Cost	80,817	99,150	84,150	84,150
Total Contract Service Cost	105,000	436,000	396,000	316,000
Total Cost (rounded)	284,000	977,000	917,000	837,000
Full Time Equivalents (FTE)				
	FY24	FY25	FY26	FY27

Total New FTEs	0.59	3.00	3.00	3.00

For illustrative purposes, a basic set of program components is included in the table below based upon a review of data for four states with similar programs that began in 2015 and 2016. This table is provided as an example of relevant data elements of the programs developed in four other states and should not be considered predictive of the Secure Choice Program as the Board would establish unique parameters of the program developed for the state of Minnesota. Comparable data points for Minnesota are also included in the table.

Illustrative Table of Comparable Savings Programs in Four States

Program Design and Data:	OregonSaves	Illinois Secure Choice	CalSaver	MyCTSavings	Average of 4 Programs	Minnesota
Employer threshold	Employers that do not currently offer qualified plans	Employers with 5 or more employees in business for at least two years that have not offered a qualified plan in the last two years	As of 1/1/2023 all employers that do not currently offer qualified plans	Employers with at least 5 employees that currently do not provide qualified plans		
2021 Annual Statewide Private Establishments (QCEW)	165,889	378,265	1,620,760	127,723		178,933
2021 Annual Average Statewide Private Employment (QCEW)	1,613,336	4,948,150	14,575,306	1,378,867		2,410,401
Total Assets (millions \$)	\$168.70	\$98.50	\$373.00	\$1.60		
Average Contribution Rate	6.00%	5.50%	5.07%	3.24%	4.95%	
Average Monthly Contribution	\$157	\$131	\$169	\$98	\$139	
Funded Accounts	115,863	116,216	395,972	6,766		
Average Funded Account Balance	\$1,456	\$847	\$942	\$233	\$870	
Employers Registered	17,671	9,312	115,705	876		
Ratio of Funded Accounts to Statewide Private Employment	7%	2%	3%	0.5%		
Four State Program data : https://cri.georgetown.edu/wp-content/uploads/2020/05/Infographic-20-05.pdf						
QCEW data pulled via : https://data.bls.gov/cew/apps/data_views/data_views.htm#tab=Tables						

Applying Various Ratios of Funded Accounts to Statewide Private Employment to Minnesota Private Employment

Proxy for Program Participation

7% ratio of private MN employment to funded accounts	168,728
5% ratio of private MN employment to funded accounts	120,520
3% ratio of private MN employment to funded accounts	72,312
1% ratio of private MN employment to funded accounts	24,104

Long-Term Fiscal Considerations

Projected cost will be ongoing. Depending on the elements of program design, growth and participation in the fund, additional administrative staff may be needed. Partnership programs with other states offering a plan may be entered into by the board which may provide economies of scale if such partnership programs are available in the future. Depending on the statutory requirements, new contract arrangements may be needed in the future such as issuance of an RFP and contract negotiations after the assumed maximum number of years duration allowed by applicable statute is reached.

Additional cost may be incurred if there is a change in contract arrangements. Depending on rule-making activities of the Board, costs related to rule making may be incurred.

Local Fiscal Impact

The bill exempts state and federal government or any political subdivision thereof as a covered employer. It does not exempt county and city employers and educational institutions however, it is assumed that such entities already provide employer contributed sponsored retirement savings plans to their employees so would be exempt.

References/Sources

Georgetown University's Center for Retirement Initiatives (<https://cri.georgetown.edu/>)

OregonSaves (<https://www.oregonsaves.com/>)

Pew Trust <https://www.pewtrusts.org/en/about/news-room/opinion/2022/03/23/state-facilitated-retirement-savings-programs-are-a-necessary-lifeline-for-private-sector-workers>

AARP Fact Sheet, "Payroll Retirement Programs Build Economic Security," August 2022

US Census Country Business Patterns

US Bureau of Labor Statistic (<https://www.bls.gov/>)

State of Minnesota, State-Administered Private Sector Employee Retirement Savings Study, January 13, 2017

Fiscal Note LLS-19-0428, Fiscal Note, Colorado Legislative Council Staff

Fiscal Note LLS 20-0594, Fiscal Note, Colorado Legislative Council Staff

Reno Meza, Oregon Treasury Savings Network

Michael Parker, Oregon Treasury Savings Network

Courtney Eccles, Vestwell

Matthew Golden, Vestwell

Lisa Massena, Massena Associates LLC

Martha Slitt, Ascensus

Susan Lenczewski, Legislative Commission on Pensions and Retirement

Michelle Weber, Legislative Coordinating Commission

Agency Contact:

Agency Fiscal Note Coordinator Signature: Kristi Schroedl

Phone: 651-284-6544

Date: 3/23/2023 3:17:33 PM

Email: kristi.schroedl@lbo.mn.gov

SF413 - 2E - Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **Judiciary And Public Safety**
 Date Completed: **4/4/2023 3:02:00 PM**
 Agency: **Administration Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 3/16/2023 2:30:20 PM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
	Total	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
	Total	-	-	-	-	-
	Biennial Total			-		-
2 - Revenues, Transfers In*						
	Total	-	-	-	-	-
	Biennial Total			-		-

Bill Description

This bill creates the Secure Choice Retirement Program and establishes a Secure Choice Retirement Program Board of Directors with duties including leasing or otherwise procuring office space and equipment necessary to operate the program.

It directs the Commissioner of Administration to provide an office suite in the Capitol group of buildings in which will reside the executive director and staff of the program.

Assumptions

Leasing space on the capitol complex is a current statutory duty of the Department of Administration(Admin). Admin will not incur additional costs in assisting this new board.

Costs for leasing space are expected to be addressed in the Secure Choice Retirement Program Board's section of this fiscal note.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Wayne Waslaski ph. 651-201-2548

Agency Fiscal Note Coordinator Signature: Ify Onyiah

Phone: 651-201-2387

Date: 3/15/2023 6:00:01 PM

Email: ify.onyiah@state.mn.us

SF413 - 2E - Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **Judiciary And Public Safety**
 Date Completed: **4/4/2023 3:02:00 PM**
 Agency: **Attorney General**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	399	399	
Total	-	-	-	399	399	
Biennial Total						798

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	2	2
Total	-	-	-	2	2

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Jim Carlson **Date:** 4/4/2023 3:01:05 PM
Phone: 651-284-6540 **Email:** jim.carlson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	-	-	399	399	
Total	-	-	-	399	399	
Biennial Total			-			798
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	399	399	
Total	-	-	-	399	399	
Biennial Total			-			798
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total	-	-	-	-	-	
Biennial Total			-			-

Bill Description

Section 6, Subd. 6 gives the Minnesota Attorney General Office the power to enforce the provisions of the new Secure Choice Retirement Program. At the request of the board, the attorney general can enforce the penalties imposed by the board against a covered employeethat fails to comply with this section. The proceeds of these penalties are deposited in the Secure Choice administrative fund after deduction of any enforcement expenses.

Assumptions

This act covers businesses that have 10+ employees that do not otherwise provide retirement benefits to their employees. According to a 2017 study commissioned by MMB, there are 8,320 employers in MN that have employees ranging from 1-1,000+. Of these, most (6,471) are small businesses with 10-49 employees and that 55% of employees of these businesses (approx. 194,000 Minnesotans) are not covered by a workplace retirement plan (<https://perma.cc/65MA-JRSD>) (at p.2). Even with minimal non-compliance there would be dozens, if not hundreds of employers for whom the AGO would be required to enforce penalties against. For employers that did not want to comply, this could also include litigation.

Part of enforcement will include identifying employers that are not complying with the Act's requirements and educate them about those requirements in order to gain their voluntary compliance. This portion of enforcement itself will be resource intensive given the number of small employers that likely will need to be educated and reminded to comply with the Act. In addition, a subset of these entities may refuse to voluntarily comply with the Act's requirements which would require further legal action taken by the AGO to enforce compliance and would, as the Act provides, include the imposition of penalties for failure to comply. Such litigation is also resource and time consuming.

Other states that have passed a Secure Choice Retirement Plan are still in their beginning phases. Illinois says on its website that enforcement is beginning this year, Colorado is also still in the implementation stage for its board and is engaging in rulemaking. Maryland's Board was launched only last summer so no statistics appear available.

The Attorney General's Office estimates that it will expend 1500 hours of attorney time and 1,500 hours of legal assistant (investigator/other staff) time beginning in FY 26. This equates to 1 FTE attorney to represent the entity and the enforcement actions plus 1.0 FTE legal assistant.

The Office of the Attorney General uses billing rates to calculate revenue and costs. The billing rates effective from July 1, 2023-June 30, 2025 are \$163/hour for attorneys and \$103/hour for legal assistants (including investigators, paralegals, mediators, financial analysts, and support staff). The billable hour rate reflects the cost of providing legal services. One FTE is 1500 billable hours per year.

Expenditure and/or Revenue Formula

	Hourly Billing Rate	Hours	Total Cost to AGO
Attorney, [division]	\$163	1,500	\$244,500
Legal assistant, [Investigator/other non-attorney staff]	\$103	1,500	\$154,500
Total	N/A	3,000	\$399,000

Long-Term Fiscal Considerations

n/a

Local Fiscal Impact

n/a

References/Sources

n/a

Agency Contact: Laura Sayles

Agency Fiscal Note Coordinator Signature: Laura Capuana

Phone: 651-402-2213

Date: 3/29/2023 6:12:16 PM

Email: laura.capuana@ag.state.mn.us

SF413 - 2E - Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **Judiciary And Public Safety**
 Date Completed: **4/4/2023 3:02:00 PM**
 Agency: **Governors Office**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 3/24/2023 1:59:43 PM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund						
Expenditures	-	1	-	-	-	-
Absorbed Costs	-	(1)	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
General Fund						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill creates the Secure Choice Retirement Program and establishes a Secure Choice Retirement Program Board of Directors.

Assumptions

The Appointments team and members of the Policy team will prepare appointments for the 2 members appointed by the governor listed in the bill.

The impact to the Governor’s Office will be 4 hours of work for the Director of Appointments, 2 hours of work for the Jr Appointments Coordinator and 1 hour of work for the relevant Policy Advisor in the first year. The future appointments will be absorbed as part of the work of the Appointments team.

Expenditure and/or Revenue Formula

The Governor’s Office will absorb the costs of the appointments in this bill.

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Alyssa Haugen (651-201-3416)

Agency Fiscal Note Coordinator Signature: Alyssa Haugen

Date: 3/23/2023 4:01:14 PM

Phone: 651-201-3416

Email: alyssa.haugen01@state.mn.us

SF413 - 2E - Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **Judiciary And Public Safety**
 Date Completed: **4/4/2023 3:02:00 PM**
 Agency: **Investment Board**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	-	2	2	2
Total	-	-	2	2	2

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 3/29/2023 3:17:16 PM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Restrict Misc. Special Revenue		-	-	246	246	246
Total		-	-	246	246	246
Biennial Total				246		492
2 - Revenues, Transfers In*						
Restrict Misc. Special Revenue		-	-	246	246	246
Total		-	-	246	246	246
Biennial Total				246		492

Bill Description

Section 1 of the bill creates the statutory name “Minnesota Secure Choice Retirement Program Act.”

Section 2 of the bill contains definitions for terms used throughout the Act. Notably, the section defines a Covered Employer as a person or entity doing business in Minnesota, which employs 10 or more Covered Employees, and did not provide a retirement savings plan to employees during the immediately preceding year. The section defines a Covered Employee as an employee of a Covered Employer who is not otherwise covered by a pension or retirement savings plan and meets other criteria established by the Secure Choice Board.

Section 3 of the bill creates the Minnesota Secure Choice retirement program. The board must design and maintain a payroll deduction system whereby covered employees those employees without a savings plan available through their employment who meet certain requirements can contribute to an Individual Retirement Account or Roth Individual Retirement Account. Covered Employers must submit such payroll deductions to the trust on behalf of the Covered Employee. The board may also allow employees to make contributions outside a relationship with a Covered Employer. Each IRA or Roth IRA must be compliant with IRC §§408 or 408A, respectively, and must be held in trust for the benefit of the Covered Employee. The board must design a policy for withdrawals from each account, including rollovers. Covered Employees will have the right, either annually or more frequently as determined by the board, to opt out or elect not to contribute/cease contributing.

Section 4 of the bill establishes the Secure Choice trust. The board must select a financial institution to operate as trustee or custodian. The trust must be administered for the exclusive purpose of providing benefits to Covered Employees and paying reasonable expenses of administration. The assets of the trust are not considered assets of the State of Minnesota and will not be commingled with any other state funds. The also establishes a Secure Choice administrative fund in the state treasury. The board may deposit administrative fees and appropriations into the administrative account to defray expenses of administering the program.

The trust will contain an individual account for each Covered Employee who may select the investments for their IRA or Roth IRA. The investment options will be determined by the Minnesota State Board of Investment. Neither the SBI, nor its executive director or any other fiduciary, have any liability for losses incurred by a Covered Employee from such investments. The board must select a diversified default investment fund (including target date funds, capital preservation funds, etc.) in which a Covered Employee’s assets will be invested should the Covered Employee not make an investment election.

Section 5 of the bill requires Covered Employers to enroll Covered Employees in the plan and withhold and remit payroll contributions unless the Covered Employee declines to participate in the program. Covered Employers must also distribute information regarding the program to Covered Employees. The board must establish penalties levied against Covered Employers who fail to meet the requirements of the program after receiving warnings for the first year of the program. The board may request that the Minnesota Attorney General enforce the penalties levied by the board.

Section 6 of the bill provides the composition and responsibilities of the Secure Choice board. The board consists of the

Executive Directors of the Minnesota State Retirement System and State Board of Investment, or their designees; three members with substantial retirement program administrative experience, chosen by the Legislative Commission on Pensions and Retirement; an individual with substantial HR experience; and a small business owner or executive appointed by the Governor. Each board member will serve a two year term, with an option for renewal, except the Executive Directors of MSRS or SBI, which are permanent members. Board members must file an economic interest statement with the Campaign Finance and Disclosure Board.

The section also lists the various duties of the board, including but not limited to the appointment of an Executive Director; establishing criteria for Covered Employee status; imposing reasonable administrative fees; hiring of third-party service providers (e.g. trustees, custodians, record keepers, and investment managers, etc.); overseeing reporting and compliance; and prescribing various policies and rules for the program.

Section 7 provides that the board, the Secure Choice Executive Director, the SBI, and SBI Executive Director are fiduciaries subject to the prudence standard contained in Minn. Stat. §356A.04, subd. 2. Such parties are indemnified by the state for performance of their duties under the Act.

Section 8 states that the State of Minnesota will have no liability for the payment of, or losses to, any benefit to plan participants.

Section 9 provides that the board may enter into intergovernmental agreements with other state agencies to provide assistance under the program. State agencies are required to provide to the board information on employees, employers, and corporations doing business in Minnesota, subject to appropriate confidentiality requirements.

Section 10 requires the board to make the program effective as of January 1, 2025. The board must open the program in phases, with the last phase coming no later than two years after opening the first phase.

Section 11 provides that the Executive Director of the Legislative Commission on Pensions and Retirement will serve as the interim executive director of the Secure Choice board to assist in the search for a permanent executive director and will notify the board of the date and time for the first board meeting.

Section 12 provides for appropriations in FYs2427 for the purpose of establishing and administering the program.

Section 13 provides that the effective date for all sections of the Act, other than Section 6, is the date following final enactment. Section 6 is effective on the date the board opens enrollment to Covered Employees.

Assumptions

Accounts in the program will not be subject to ERISA. A Third Party Administrator/Custodian will service individual accounts and provide primary FASB and other financial reporting services. The investments for the program will be externally managed and not part of the SBI's existing asset pools. SBI will have authority to charge costs to the program for services in determining and monitoring investment options.

Expenditure and/or Revenue Formula

The State Board of Investment is estimating two FTE's for the program. The FTEs will engage in the selection and monitoring of investment options and any necessary financial/performance reporting and administrative obligations. The SBI will invoice the program for the actual cost of the FTEs.

FTE Calculation:

FTE calculations are based on one investment analyst and one financial analyst position.

Investment Analyst Salary \$90,000 plus Fringe \$37,000, total \$127,000

Financial Analyst Salary \$83,000 plus Fringe\$36,000, total \$119,000

Total Obligation \$246,000

Duties of requested FTE's

· Establish and maintain investment policies

- Determine asset class options, fund structures and investment options
- Create an investment plan menu based on return objectives and risk tolerances of participants/accounts

Owners

- Selection of investment funds and negotiations with selected fund managers
- Quarterly portfolio reviews with investment firms
- Quarterly publication of performance to IAC and Board members
- Annual due diligence with management firms
- Annual review of investment menu design with third party program manager
- On-going communication with administrative agency
- Ad hoc reporting and communication
- Prepare Request for Information for publication
- Prepare and or amend the investment sections of plan document
- Prepare narrative and reporting of investment program in SBI Annual Report
- Monitor NAV
- Prepare performance calculation
- Reconcile performance calculation
- Respond to inquiries

The SBI anticipates hiring FTEs at the beginning of FY25 to assist in selecting the investment fund menu for the plan and conducting appropriate due diligence.

While the duties listed above are ongoing, it is difficult to estimate an hourly requirement for each as the time commitment may shift depending upon the needs and structure of the plan. For instance, manager selection and diligence will likely require significant time in FYs 25 and 26, while manager monitoring and outreach will require significant time in succeeding fiscal years.

The SBI also anticipates participating in outreach for the plan, as appropriate, particularly with respect to the investment portfolio. The extent of this task may depend on the administrative structure of the plan, but the SBI generally participates in outreach meetings and education with respect to the investment lineup for participant directed plans. Given the anticipated scale of the Secure Choice program, the SBI believes this would be a significant time commitment.

The bill provides the Secure Choice board with a number of options for structuring the administration of the plan. While the SBI has assumed the board will use a third party administrator (TPA) for most administrative functions, the nature and cost of responsibilities may vary depending upon the division of duties between the TPA and responsible state boards and agencies.

Revenue Calculation:

MN SBI invoices all plans that invest dollars with the SBI. MN SBI would invoice the Secure Choice program for expenditures. The SBI would need to ensure that state or pension assets were not used to fund operations of the SBI related to the Secure Choice program, in order to remain in compliance with state and federal law.

Long-Term Fiscal Considerations

Long term fiscal considerations include potential growth in the plan. While this may not directly impact the SBI under the current assumptions, in the event the plan is/becomes subject to ERISA or the SBI becomes primarily responsible for financial reporting on the investments, the SBI's costs and FTE requirements will increase significantly.

Local Fiscal Impact

References/Sources

SF413 Minnesota Secure Choice Act

Minn. Stat. §11A.04: Duties and powers of the SBI

Minn. Stat. §11A.07, subd. 5 Apportionment of SBI expenses

Agency Contact:

Agency Fiscal Note Coordinator Signature: Paul Anderson

Phone: 651-297-2287

Date: 3/28/2023 5:22:55 PM

Email: Paul.Anderson@state.mn.us

SF413 - 2E - Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **Judiciary And Public Safety**
 Date Completed: **4/4/2023 3:02:00 PM**
 Agency: **Labor and Industry Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 3/24/2023 9:21:52 AM
Phone: 651-296-6055 **Email:** karl.palm@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

Sec. 6 creates the Secure Choice Retirement Program Board of Directors.

Sec. 9(a) states that the board may enter into intergovernmental agreements with the Dept. of Labor and Industry (DLI) to provide outreach, technical assistance, and or compliance services.

Assumptions

Sec. 9(a) Outreach, Technical Assistance, Compliance Services

DLI assumes that its involvement with outreach, technical assistance and compliance services related to this bill would be limited due to this law not being under DLI purview. DLI also assumes costs associated with the outreach, technical assistance, or compliance services would be addressed in the intergovernmental agreement contemplated in Section 9(a) of the bill.

Expenditure and/or Revenue Formula

NA

Long-Term Fiscal Considerations

NA

Local Fiscal Impact

NA

References/Sources

NA

Agency Contact: Kate Perushek 651-284-5018

Agency Fiscal Note Coordinator Signature: Jacob Gaub

Phone: 652-284-5812

Date: 3/20/2023 12:39:43 PM

Email: jacob.gaub@state.mn.us

SF413 - 2E - Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **Judiciary And Public Safety**
 Date Completed: **4/4/2023 3:02:00 PM**
 Agency: **Legislature**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 3/31/2023 8:54:18 AM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund						
Expenditures	-	46	-	21	-	-
Absorbed Costs	-	(46)	-	(21)	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
General Fund						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

The bill establishes a new state program to assist employees without access to an employer-sponsored retirement plan with saving for retirement. The bill applies to employers doing business in Minnesota, including for-profit, and non-profit, that employs ten or more covered employees, and who do not offer a retirement plan to employees. Government entities (like the State of Minnesota, the United States government, or the government of another country) are excluded from this bill.

Covered employers are required by the bill to enroll their covered employees in the program and withhold a percentage of each employee’s pay for transmittal to the State Board of Investment (SBI). Under the supervision of the SBI, an employee’s contributions will be deposited into an individual retirement account (IRA) and the employee will have the ability to direct the investment of the account into investment funds selected by the SBI. Employees may elect a different withholding percentage or opt out of the program. The IRAs will be held in a trust termed the “Secure Choice Trust” under the program.

The bill establishes a Board of Directors that will oversee the trust and decide on many of the details of the program, such as the percentage of pay to be withheld by employers. This board will consist of seven members:

- 1) The executive director of the Minnesota State Retirement System (MSRS), or designee. Member serves indefinitely.
- 2) The executive director of the State Board of Investments (SBI), or designee. Member serves indefinitely.
- 3) Three executive or operations managers chosen by the Legislative Commission on Pensions and Retirement (LCPR) with substantial experience in record keeping 401(k) plans, individual retirement accounts, and retirement plan investments. Members serve a two-year term.
- 4) A human resources or retirement benefits executive from a Fortune 500 company with substantial experience in administering the company's 401(k) plan, and a small business owner or executive, both appointed by the governor. Member serves at two-year term.

Board members must be appointed by January 15, 2024. LCPR must designate one member of the board to convene the first meeting of the board by March 1, 2024. With assistance from the Legislative Coordinating Commission (LCC), the executive director of the LCPR must organize, plan, and hold the first board meeting working with the designated chair. The board will also hire an executive director, who will establish an office and hire additional staff necessary to administer the program. The LCPR executive director will assist the board until the board appoints an executive director. Department

of Administration must provide the board office space within a state office building on the Capitol grounds. Administrative costs of the program are to be deducted from employee IRA accounts. The law requires that administrative costs be kept as low as possible.

The board must design, establish, and maintain payroll deduction arrangements. The board must elect to do a phased in program. In addition to the other duties of the board as stated in the bill, it can contract for third-party services. The board must also publish an annual report as to, in part, the plan outcomes, progress and data regarding participation in the plan.

The board may accept gifts, grants, and donations as well as State appropriations or loans. The board, board staff, and SBI are identified as fiduciaries subject to relevant requirements from MS Ch 356A and are indemnified and held harmless by the State for reasonable costs, expenses or liability incurred as a result of litigation or administrative proceedings related to the plan. The bill states that the State of Minnesota has no liability for the payment of or losses related to the plan.

Assumptions

1. LCPR is composed of 14 legislative members (seven senators, seven representatives).
2. LCPR will develop a board appointment application and post that on their website by September 2023, with an application deadline of November 2023.
3. The LCPR will recruit for board member applicants by posting to the appointment opportunity on the Boards and Commissions website of the Office of the Minnesota Secretary of State. LCPR use communication bulletins to inform their stakeholders about the appointment opportunity.
4. The LCPR will meet in November 2023 to select appointment applicants to interview and review references. LCPR will meet again in December 2023 to interview the selected applications and to determine its three board position appointments due by January 15, 2024 (FY24). Since appointments are for two-year terms, the LCPR will meet in November 2025 to select appointment applicants to interview and review references and then again in December 2025 to select the three board position appointments due by January 15, 2026 (FY26). Associated LCPR staff cost for all meetings will be absorbed.
5. All LCPR meetings will occur during legislative interims and will be in-person meetings held within the Capitol complex. Legislative members will be eligible for per diem and reimbursement of expenses. Meeting participation costs includes the following per member, per legislative interim meeting: per diem (\$86 senators, \$66 representatives), and \$100 round trip mileage (152 round trip mile average), half of the legislative members will be reimbursed for lodging expenses (\$150/night senators, \$175/night representatives). LCPR allotted appropriated general funds will be used for the legislative member meeting participation costs. No new funds will be needed.
6. LCPR will provide staff support for application material development, recruitment of applicants, the processing of applications, and for holding the meetings. Dedicated staff time in FY24 is anticipated to be .04 FTE of the LCPR director (80 hours), .05 FTE of the analyst (100 hours), and .06 FTE of the commission assistant (120 hours). For FY26 appointments, LCPR will provide support again, but the dedication of time will be less since the application form and process had been developed in FY24. Dedicated staff time in FY26 is anticipated to be .02 FTE of the LCPR director (40 hours), .03 FTE of the analyst (60 hours), and .04 FTE of the commission assistant (80 hours). For this fiscal note we assume existing LCPR staff will be utilized, and cost may be absorbed, although that will depend on the priorities of the legislature and staff time required for competing projects.
7. LCPR appointed members serve two-year terms. Similar recruitment efforts, meetings and staff support will occur again in FY26, and every two years thereafter.
8. The LCPR executive director will organize, plan and hold the first board meeting and serve as the interim executive director of the board until the board appoints an executive director. The LCPR executive director will provide support to the board of approximately 150 hours beginning January 15, 2024, and concluding April 30, 2024, which is the assumed date of the appointment of the executive director by the board (FY24 .07 FTE). The support provided by the LCPR director will be in addition to their existing duties with LCPR. With a limited amount of time and a requirement of specialized knowledge expertise, we assume for this fiscal note that existing staff resources can only be utilized. Cost will be absorbed.

9. The LCPR commission assistant and LCPR analyst may provide assistance for the holding the first meeting of the board. Nominal time will be absorbed.

10. The LCC may provide assistance to the LCPR with development of a position description for the executive director of the board and will help recruit and facilitate an interview process for final candidate consideration by the board. We assume that Department of Administration and Minnesota Management and Budget may also assist with the process. Position announcement posting cost are estimated to be \$1,000 with the cost absorbed by the LCC. The executive director of the LCC may provide assistance of approximately a total of 50 hours beginning January 15, 2024, and concluding April 30, 2024 (FY24, .02 FTE) on the work associated with recruiting and hiring an executive director. Associated staff costs will be absorbed. With limitations of staff resources and consideration of legislative priorities, the LCC may not be able to provide assistance to the LCPR beyond the board executive director recruitment process.

Expenditure and/or Revenue Formula

<u>Member Meeting Participation Cost</u>				
Cost Category	FY24	FY25	FY26	FY27
Total LCPR Legislative Member Meeting Participation Cost	7,166	0	7,166	0
LCPR Member Meeting Cost Absorbed	(7,166)	0	(7,166)	0
Net Total LCPR Legislative Member Meeting Participation Cost	0	0	0	0
<u>Staffing Cost</u>				
Cost Category	FY24	FY25	FY26	FY27
LCPR Director (.11 FTE FY24; .02 FTE FY26)	23,859	0	4,338	0
LCPR Analyst (.05 FTE FY24, .03 FTE FY26)	6,292	0	3,775	0
LCPR Commission Assistant (.06 FTE FY24; .04 FY26)	7,837	0	5,224	0
LCC Director (.02 FY24)	498	0	0	0
Total Staff Cost	38,485	0	13,337	0
LCPR Staff Cost Absorbed	(38,485)	0	(13,337)	(0)
Net LCPR staff cost	0	0	0	0
<u>Total Cost</u>				
Cost Category	FY24	FY25	FY26	FY27
Total LCPR Legislative Member Meeting Participation Cost	7,166	0	7,166	0
Total Staff Cost	38,485	0	13,337	0
Total Cost (rounded)	46,000	0	21,000	0
Total Cost Absorbed (rounded)	(46,000)	0	(21,000)	0

Net Total Cost (rounded)	0	0	0	0

Long-Term Fiscal Considerations

Similar recruitment efforts, meetings and staff support will occur again every two years for the LCPR. Ongoing cost is anticipated to be incurred and absorbed, although that will depend on the priorities of the legislature and staff time required for competing projects.

Local Fiscal Impact

N/A

References/Sources

Susan Lenczewski, Legislative Commission on Pensions and Retirement

Michelle Weber, Legislative Coordinating Commission

Agency Contact: Diane Henry-Wangenstein

Agency Fiscal Note Coordinator Signature: Diane Henry

Phone: 651-296-1121

Date: 3/28/2023 6:27:21 PM

Email: diane.henry@lcc.mn.gov

SF413 - 2E - Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **Judiciary And Public Safety**
 Date Completed: **4/4/2023 3:02:00 PM**
 Agency: **Minn Management and Budget**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 3/28/2023 10:46:27 AM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

The state of Minnesota creates and establishes a public-private partnership model known as the “Minnesota Secure Choice retirement program” for privately employed workers to save for retirement.

Assumptions

The definitions for covered employee and covered employer explicitly exclude state employees and state governments, respectively, therefore should not impact MMB.

MMB assumes that new agency Secure Choice Retirement Program will be responsible for operationalizing this bill. MMB is not planning on a role in creation of new agency or in transitional assistance while agency is being established.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Ronika Rampadarat 651-201-8115

Agency Fiscal Note Coordinator Signature: Ronika Rampadarat

Phone: 612-659-6873

Date: 3/24/2023 4:15:09 PM

Email: ronika.rampadarat@state.mn.us

SF413 - 2E - Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **Judiciary And Public Safety**
 Date Completed: **4/4/2023 3:02:00 PM**
 Agency: **Minn State Retirement System**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 3/23/2023 2:58:22 PM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill would create the Minnesota Secure Choice Retirement Program, a state-sponsored vehicle for individual retirement savings. The Minnesota State Retirement System would not administer the program, and therefore does not anticipate incurring any costs.

Assumptions

The Minnesota State Retirement System would not administer the program, and therefore does not anticipate incurring any costs.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Colleen Hazel

Agency Fiscal Note Coordinator Signature: Tim Rekow

Phone: 651-284-7819

Date: 3/21/2023 5:34:05 PM

Email: tim.rekow@msrs.us

SF413 - 2E - Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **Judiciary And Public Safety**
 Date Completed: **4/4/2023 3:02:00 PM**
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 3/22/2023 11:38:18 AM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill establishes the Minnesota Secure Choice retirement program, whereby covered employers can set-up payroll deduction for their employees to contribute to individual retirement accounts. The program is to begin no later than January 1, 2025, with contributions being made on an after tax or pre-tax basis, unless the employee opts out of contributing.

Section 9, paragraph a of the bill allows the Secure Choice retirement program board of directors to enter into intergovernmental agreements with the Department of Revenue (DOR), Department of Labor and Industry (DOLI), and any other state agency to provide outreach, technical assistance, or compliance services. Employers are required to remit contributions timely and may be penalized if they do not.

Assumptions

DOR assumes no impact for section 9, paragraph a of the bill. Any outreach DOR could offer would be limited to resources already utilized by the department, such as federal instructions. DOR assumes it would be reimbursed by the board if it entered into an interagency agreement to provide any assistance related to outreach, technical assistance, or compliance services.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

Agency staff provided information for this fiscal note.

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chelsea Magadance

Phone: 651-556-6308

Date: 3/22/2023 11:11:49 AM

Email: chelsea.magadance@state.mn.us