

SF413 - 1A - Minnesota Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **State and Local Government and Veterans**
 Date Completed: **3/2/2023 9:59:44 AM**
 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 Secretary of State
 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	-	-	521	521	521	
Governors Office						
General Fund	-	-	-	-	-	-
Investment Board						
Restrict Misc. Special Revenue	-	-	-	-	-	-
Legislature						
General Fund	-	-	-	-	-	-
Secure Choice Retirement Program Board						
General Fund	-	697	1,026	837	837	
State Total						
General Fund	-	697	1,547	1,358	1,358	
Restrict Misc. Special Revenue	-	-	-	-	-	-
Total	-	697	1,547	1,358	1,358	1,358
Biennial Total			2,244			2,716

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Attorney General					
General Fund	-	-	2.5	2.5	2.5
Governors Office					
General Fund	-	-	-	-	-
Investment Board					
Restrict Misc. Special Revenue	-	1	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	-	1.08	3	3	3
Total	-	2.08	7.5	7.5	7.5

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.

The previous fiscal note on SF413-0 carried the assumption that board would enter into a contract with a third-party administrator and the state would directly pay for the term of service. This version of the fiscal note assumes the board will contract with a third-party administrator who will charge a fee to participants with no payment coming from the state. This approach is more common among states with similar programs.

LBO Signature: Jim Carlson **Date:** 3/2/2023 9:59:44 AM
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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	-	-	521	521	521	
Governors Office						
General Fund	-	-	-	-	-	
Investment Board						
Restrict Misc. Special Revenue	-	-	-	-	-	
Legislature						
General Fund	-	-	-	-	-	
Secure Choice Retirement Program Board						
General Fund	-	697	1,026	837	837	
	Total	-	697	1,547	1,358	1,358
	Biennial Total			2,244		2,716
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Attorney General						
General Fund	-	-	521	521	521	
Governors Office						
General Fund	-	-	-	-	-	
Expenditures	-	1	-	-	-	
Absorbed Costs	-	(1)	-	-	-	
Investment Board						
Restrict Misc. Special Revenue	-	123	246	246	246	
Legislature						
General Fund	-	-	-	-	-	
Expenditures	-	46	-	21	-	
Absorbed Costs	-	(46)	-	(21)	-	
Secure Choice Retirement Program Board						
General Fund	-	697	1,026	837	837	
	Total	-	820	1,793	1,604	1,604
	Biennial Total			2,613		3,208
2 - Revenues, Transfers In*						
Attorney General						
General Fund	-	-	-	-	-	
Governors Office						
General Fund	-	-	-	-	-	
Investment Board						
Restrict Misc. Special Revenue	-	123	246	246	246	
Legislature						
General Fund	-	-	-	-	-	
Secure Choice Retirement Program Board						
General Fund	-	-	-	-	-	
	Total	-	123	246	246	246
	Biennial Total			369		492

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 Committee: **State and Local Government and Veterans**
 Date Completed: **3/2/2023 9:59:44 AM**
 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)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	697	1,026	837	837	
Total	-	697	1,026	837	837	
Biennial Total			1,723			1,674

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	1.08	3	3	3
Total	-	1.08	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.

The previous fiscal note on SF413-0 carried the assumption that board would enter into a contract with a third-party administrator and the state would directly pay for the term of service. This version of the fiscal note assumes the board will contract with a third-party administrator who will charge a fee to participants with no payment coming from the state. This approach is more common among states with similar programs.

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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	-	697	1,026	837	837	837
Total		-	697	1,026	837	837
Biennial Total			1,723		1,674	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	697	1,026	837	837	837
Total		-	697	1,026	837	837
Biennial Total			1,723		1,674	
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 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 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 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 October 1, 2024. The board may 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. 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.
2. 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.
3. 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 October 1, 2024. From our research as a part of this note preparation, a timeline of 12 to 24 months for startup is typical.
4. Costs incurred by other Minnesota entities such as SBI, 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.
5. 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.
6. We assume that the Board will meet biweekly between January and June 30, 2024, for a total of 12 meetings in FY24. From July 1 to October 1, 2024, the Board will continue to meet biweekly. After July 1, 2024, the Board will meet monthly. In FY25, we assume 15 meetings. In subsequent years we assume 12 meetings. All meetings will be held within the Capitol campus in St. Paul.
7. 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).
8. The executive director hired by the Board will begin work in February 2024, with additional staff being on-boarded March 2024 (FY24). The executive director will be a .42 FTE in FY24 (870 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 in addition with other duties to support the board. These staff members will each be 0.33 FTEs in FY24 (689 hours), and 1.0 FTEs in subsequent fiscal years. Total staff time will thus be 1.08 FTE in FY24 (2,255 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.
9. Office space would be identified on the Capitol complex through support from the Department of Administration. Office space will be leased beginning January 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.
10. 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, will be more in FY24 and FY25 due to initial plan awareness efforts, however reduced cost will continue in subsequent years.
11. 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.
12. 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.

13. 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.
14. 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 the expertise for a particular legal matter, by an outside law firm. Legal costs are estimated at \$75K incurred in FY24 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.
15. Officer insurance of \$30K will be procured for the board and administrative staff each fiscal year beginning FY24.
16. 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.
17. For FY24 and 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 \$150K for FY24 and \$150K for FY25. After the FY25, communication/marketing consultant cost will be reduced to \$20K each fiscal year with the program outreach primarily done by board in-house staff.
18. 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.
19. 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.
20. 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.
21. The State Board of Investment (SBI) will provide services associated selection and monitoring of investment options and any necessary financial and performance reporting and administrative obligations. The SBI fiscal note estimates costs of \$123,000 in FY24 and \$246,000 in FY25 and beyond resulting from two FTE starting halfway through FY24. The SBI will invoice the Secure Choice Retirement Program Board of Directors for the actual cost of the FTE.
22. This note does not address any state or federal tax deductions that participating employees may be able to take.
23. 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	16,834	21,042	16,834	16,834

Staffing & Contract Cost

Cost Category	FY24	FY25	FY26	FY27
Executive Director, Board Administration Office (.42 FTE FY24, 1.0 FTE FY25 & beyond)	82,654	196,863	196,863	196,863
Office Administrator (.33 FTE FY24, 1.0 FTE FY25 & beyond)	38,628	117,133	117,133	117,133
Communication Specialist Office Assistant (.33 FTE FY24,	34,869	105,743	105,743	105,743

1.0 FTE FY25 & beyond)				
Total Staff Cost	156,151	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	9,196	18,392	18,392	18,392
Indirect, Training, Software and Supplies	24,354	40,758	40,758	40,758
Communication/Marketing & Travel	40,000	40,000	25,000	25,000
Total Office Set Up and Operational Cost	116,150	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	30,000	30,000	30,000	30,000
Communication /Marketing Consultant	150,000	150,000	20,000	20,000
Interagency Cost	30,000	10,000	10,000	10,000
State Investment Board Services	123,000	246,000	246,000	246,000
Total Contract Service Cost	408,000	486,000	316,000	316,000

Total Cost

Cost Category	FY24	FY25	FY26	FY27
Total Member Mtg Participation Cost	16,834	21,042	16,834	16,834
Total Staff Cost	156,151	419,739	419,739	419,739
Total Office Set Up and Operational Cost	116,150	99,150	84,150	84,150
Total Contract Service Cost	408,000	486,000	316,000	316,000
Total Cost (rounded)	697,000	1,026,000	837,000	837,000

FTEs

	FY24	FY25	FY26	FY27
Total New FTEs	1.08	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 actual data for four states with developed programs that began in 2015 and 2016. This table is provided as an example of SF413-0-Minnesota Secure Choice Retirement Program Act relevant data elements of the programs developed in four other states and in no way should be considered representative of the Secure Choice Program developed by the Board 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

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

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SF413 - 1A - Minnesota Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **State and Local Government and Veterans**
 Date Completed: **3/2/2023 9:59:44 AM**
 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:** 3/1/2023 3:51:54 PM
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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.

Section 10 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

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Agency Fiscal Note Coordinator Signature: Ify Onyiah

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SF413 - 1A - Minnesota Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **State and Local Government and Veterans**
 Date Completed: **3/2/2023 9:59:44 AM**
 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	-	-	521	521	521	521
Total	-	-	521	521	521	521
Biennial Total			521			1,042

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	2.5	2.5	2.5
Total	-	-	2.5	2.5	2.5

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:** 3/2/2023 9:20:25 AM
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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	-	-	521	521	521	
Total	-	-	521	521	521	521
Biennial Total			521			1,042
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	521	521	521	
Total	-	-	521	521	521	521
Biennial Total			521			1,042
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. It also gives the AGO the authority to impose penalties as established by the board against any covered employer that 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 primarily covers small to mid-size employers that do not otherwise provide retirement benefits to their employees. According to a 2017 study commissioned by MMB 40% of private sector workers are employed by an employer that does not offer a retirement plan. (at p. 5). This study further provides that the disparity is worse for smaller employers (at 7) (finding that only 21% of employees working for a business size of less than 10 employees and only 49% of employees working for a business size of 10 to 100 employees were offered a retirement plan in MN). This report showed that in 2017, approximately 8,320 employers, employing over 800,000 Minnesotans did not offer retirement programs. (Id. at p. 41.) As a result, there are thousands of potential employers who would need to be educated about the requirements of the Act and could potentially fail to comply with its requirements. Even if non-compliance only involved a small subset, such as 5% of these employers, that would total to over 400 employers that could require enforcement efforts by the AGO. See <https://perma.cc/65MA-JRSD/d>.

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 2,250 hours of attorney time and 1,500 hours of legal assistant (investigator/other staff) time beginning in FY 25. This equates to 1.5 FTE attorneys 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, 2024-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	2,250	\$366,750
Legal assistant, [Investigator/other non-attorney staff]	\$103	1,500	\$154,500
Total	N/A	3,750	\$521,250

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Laura Sayles

Agency Fiscal Note Coordinator Signature: Laura Capuana

Phone: 651-402-2213

Date: 2/28/2023 11:46:27 AM

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SF413 - 1A - Minnesota Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **State and Local Government and Veterans**
 Date Completed: **3/2/2023 9:59:44 AM**
 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:** 2/23/2023 10:07:07 AM
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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

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SF413 - 1A - Minnesota Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **State and Local Government and Veterans**
 Date Completed: **3/2/2023 9:59:44 AM**
 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	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	1	2	2	2
Total	-	1	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:** 3/2/2023 9:00:31 AM
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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		-	123	246	246	246
Total		-	123	246	246	246
Biennial Total				369		492
2 - Revenues, Transfers In*						
Restrict Misc. Special Revenue		-	123	246	246	246
Total		-	123	246	246	246
Biennial Total				369		492

Bill Description

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

Section 2 of the bill contains the statement of purpose of the Act, namely the creation of a public/private partnership to provide retirement savings options to private sector workers.

Section 3 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 that 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 4 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. The program must be operational on October 1, 2024; however, the program may be rolled out in phases, provided that the last phase must be opened within two years of the first phase. 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.

Section 5 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 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 6 of the bill requires Covered Employers those employers who do not offer a retirement savings plan to offer the plan to all Covered Employees. Covered Employers must 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 Minnesota Attorney General has authority to enforce the provisions of the Act, including the requirements of Covered Employer

Section 7 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 chosen by the Legislative Commission on Pensions and Retirement; a human resources or benefits executive from a fortune 500 company; 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 8 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 9 states that the State of Minnesota will have no liability for the payment of, or losses to, any benefit to plan participants.

Section 10 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 11 makes the provisions of the Act severable in case of invalidity.

Section 12 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 13 provides for appropriations in FY24 and FY25 for the purpose of establishing and administering the program.

Section 14 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 midpoint of FY24 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 24 and 25, 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

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SF413 - 1A - Minnesota Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **State and Local Government and Veterans**
 Date Completed: **3/2/2023 9:59:44 AM**
 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		
	Dollars in Thousands	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: Christian Larson **Date:** 2/25/2023 2:20:45 PM
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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. 7 creates the Secure Choice Retirement Program Board of Directors.

Sec. 10(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.

Sec. 10(b) indicates that DLI, upon request, must provide information and data on employees, employers, and corporations doing business in the state of Minnesota.

Assumptions

Sec. 10(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 10(a) of the bill.

Sec. 10(b) Data and Information

Department of Employment and Economic Development (DEED) has more robust and comprehensive data on employers and employees in the state of Minnesota. DLI can access some, but not all of DEED’s data, and only for limited purposes. DLI does not have a separate comprehensive dataset of employers and employees in Minnesota. DLI assumes that because more comprehensive data on employers and employees in the state of Minnesota is held at another agency, there should not be any significant data requests associated with this bill and any costs to DLI would be immaterial.

Expenditure and/or Revenue Formula

NA

Long-Term Fiscal Considerations

NA

Local Fiscal Impact

NA

References/Sources

NA

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Agency Fiscal Note Coordinator Signature: Jacob Gaub

Phone: 652-284-5812

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SF413 - 1A - Minnesota Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **State and Local Government and Veterans**
 Date Completed: **3/2/2023 9:59:44 AM**
 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:** 3/2/2023 9:47:52 AM
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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 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 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, and the board must hold its first meeting 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. 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 by October 1, 2024. The board may 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:

Agency Fiscal Note Coordinator Signature: Diane Henry

Date: 3/2/2023 9:08:24 AM

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SF413 - 1A - Minnesota Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **State and Local Government and Veterans**
 Date Completed: **3/2/2023 9:59:44 AM**
 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:** 3/2/2023 9:02:04 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:

Agency Fiscal Note Coordinator Signature: Ronika Rampadarat

Date: 3/1/2023 9:12:55 PM

Phone: 612-659-6873

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SF413 - 1A - Minnesota Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **State and Local Government and Veterans**
 Date Completed: **3/2/2023 9:59:44 AM**
 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:** 3/1/2023 4:29:47 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: 3/1/2023 3:47:38 PM

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SF413 - 1A - Minnesota Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **State and Local Government and Veterans**
 Date Completed: **3/2/2023 9:59:44 AM**
 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:** 2/28/2023 4:25:34 PM
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 July 1, 2024, with contributions being made on a pre-tax basis, unless the employee elects to contribute on an after-tax basis or opts out of contributing.

Section 10, 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), or 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.

Section 10, paragraph b requires DOR, DOLI, and any other state agency to provide information and data on employees, employers, and corporations doing business in the state to the Secure Choice retirement program board or executive director upon their request. DOR may require the Secure Choice retirement program board or executive director to comply with confidentiality requirements as a condition of providing the information.

Assumptions

DOR assumes no impact for section 10, paragraph a of the bill. DOR only collects wage information on employees from W-2s and not number of hours worked, work location, or other employment-related details. 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.

As section 10, paragraph b of the bill is written DOR is unable to provide any related data as required due to a technical issue. Since the Minnesota Secure Choice retirement program established in the bill is new, DOR does not have established statutory authority to disclose any of the data outlined as the data is classified by law as private or nonpublic return information under Minn. Stat. § 270B.02, subd. 1. DOR would need statutory authority to release information for the purposes of this bill added to Minn. Stat. § 270B.14 or elsewhere to be able to legally share data with the Minnesota Secure Choice retirement program board or executive director.

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: Chelsea Magadance

Agency Fiscal Note Coordinator Signature: Chelsea Magadance

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Date: 2/28/2023 3:15:15 PM

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SF413 - 1A - Minnesota Secure Choice Retirement Program Act

Chief Author: **Sandra Pappas**
 Committee: **State and Local Government and Veterans**
 Date Completed: **3/2/2023 9:59:44 AM**
 Agency: **Secretary of State**

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:** 2/27/2023 9:36:41 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

This bill establishes the Secure Choice Retirement Program and provides authority and responsibility to a newly constituted board to implement the program.

The only connection with the Office of the Secretary of State (OSS) is section 10, clause (b), which does not name the Office of the Secretary of State but which requires the holders of data to provide it to the program:

(b) The commissioner of revenue, the commissioner of labor and industry, and any other state agency must provide information and data on employees, employers, and corporations doing business in the state of Minnesota, upon the request of the board or executive director. The state agency providing the information or data may require that the board or executive director comply with confidentiality requirements as a condition to providing such information or data.

Assumptions

OSS currently prepares a bulk data file of all business entity information, all of which is public, and there would be no cost to providing a copy of this file when required, so there are no costs to OSS as a result of this bill.

Expenditure and/or Revenue Formula

None.

Long-Term Fiscal Considerations

None.

Local Fiscal Impact

None.

References/Sources

Bibi Black, bibi.black@state.mn.us, 651-201-1326

Agency Contact:

Agency Fiscal Note Coordinator Signature: Adam Hansen

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