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# MEMORANDUM

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**To:** *General Government Services Subcommittee*

**From:** *John Borden, Legislative Fiscal Office*  
*(503) 986-1842*

**Date:** May 6, 2015

**Subject:** *House Bill 2960-A*  
*Work Session Recommendations*

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House Bill 2960A relates to retirement investments. The measure has an emergency clause and is effective on passage.

The work session packet, including a ***draft*** budget report and a –A9 amendment, are available on the Oregon Legislative Information System (OLIS).

## **Amendment**

The –A9 amendment provides General Fund appropriations to the State Treasury of \$250,000 for outreach and technical assistance services and \$743,541 for operating expenses and requires the repayment of the General Fund.

**Motion #1: Move adoption of the –A9 amendment to HB 2960.**

## **Measure as Modified**

The measure, as amended by the –A9, is recommended to be moved to the full Committee on Joint Ways and Means.

**Motion #2: Move HB 2960 to the full committee with a “do pass” recommendation, as modified by the –A9 amendment.**

## **Carriers:**

**Full Committee Carrier:** \_\_\_\_\_

**Second Chamber Carrier:** \_\_\_\_\_

78<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2015 Session  
BUDGET REPORT AND MEASURE SUMMARY

JOINT COMMITTEE ON WAYS AND MEANS

MEASURE: HB 2960-A

Carrier – House: Rep.

Carrier – Senate: Sen.

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**Action:**

**Vote:**

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

**Prepared By:** John Borden, Legislative Fiscal Office

**Reviewed By:** Ken Rocco, Legislative Fiscal Office

**Meeting Date:**

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Agency

Oregon State Treasury

Biennium

2015-17

DRAFT for Subcommittee

**Budget Summary**\*

	2013-15 Legislatively Approved Budget <sup>(1)</sup>	2015-17 Current Service Level	2015-17 Committee Recommendation	Committee Change from 2013-15 Leg. Approved	
				\$\$ Change	% Change
General Fund	\$ 0	\$ 0	\$ 993,541	\$ 993,541	100%
Total	\$ 0	\$ 0	\$ 993,541	\$ 993,541	100%

**Position Summary**

Authorized Positions	00	00	2	2
Full-time Equivalent (FTE) positions	00.00	00.00	1.50	1.50

(1) Includes adjustments through December 2014

\* Excludes Capital Construction expenditures

**Summary of Revenue Changes**

The measure would create the Oregon Retirement Savings Board (ORSB), which would be charged with the establishment of a defined contribution retirement plan for people whose employers do not offer a qualified retirement plan under federal law. Employee contributions from employer payroll withholdings would be transferred from employers and deposited directly into individual accounts. Eligible employees would be automatically enrolled in the plan at default contribution rates unless they decide to opt out of the plan. Employee accounts would be held in trust by private third party investment administrator(s). Employers and the State of Oregon would have no proprietary interest in the accounts.

The measure establishes the Retirement Savings Plan Administrative Fund, into which the ORSB application, account, or administrative fees, and other sources of funding, if available, would be deposited to pay for the Board’s operating expenses. Fee revenue would come from a portion of private third party investment administrator charges on individual employee accounts and would be transferred to the Retirement Savings Plan Administrative Fund. Administrative fee revenue is anticipated to begin during the 2017-19 biennium after the ORSB establishes fee amounts.

A General Fund appropriation is required to fund the Board’s operating expenses until the Retirement Savings Plan Administrative Fund has sufficient revenue to support the Board. The measure stipulates that General Fund expenditures are to be repaid with future administrative fees.

**Summary of General Subcommittee Action**

The Subcommittee approved a \$993,541 General Fund appropriation to the Oregon State Treasury (OST) and the establishment of two permanent, full-time positions (1.50 FTE) for the Oregon Retirement Savings Board (ORSB). The measure has an emergency clause and is effective on passage; however, it is not anticipated that there will be any expenditures during the current 2013-15 biennium.

The measure creates the seven-member ORSB within OST and designates the State Treasurer, or the Treasurer's designee, as the chairperson of the Board. OST is directed to provide staff support to the ORSB and plans to hire one permanent full-time executive director (1.00 FTE) and one permanent part-time program analyst (0.50 FTE) to staff the Board and manage contracts at a cost of \$296,457 General Fund for personal services and \$27,084 General Fund for services and supplies.

The Board is directed to develop and implement a defined contribution retirement plan that can be accessed through employee payroll for people employed in Oregon. The ORSB plan may only be established if the plan does not qualify as an employee benefit plan under federal law. Employers must offer the plan unless they already provide a qualified retirement plan. Contributions to the plan, which would be made by employees only, would begin on July 1, 2017. The Board would be required to establish rules for employees to be automatically enrolled and to opt out of the plan, contribution and withdrawal processes, and exemptions for employers that provide alternative plans. The Board's authority would include the ability to establish and collect fees administratively and enter into contracts and agreements.

The plan is not an employer-sponsored retirement plan and there is no guaranteed rate of return on individual accounts.

The measure includes a preemption for local government whereby a local government may not establish or offer a retirement plan for persons not employed by a public body.

Prior to establishing a defined contribution retirement plan, the ORSB is required to conduct a market analysis to determine the feasibility of such a plan and obtain legal advice regarding the applicability to federal retirement law, as well as to investigate and set up a process for individuals to make non-payroll deposits to accounts, among other responsibilities. The Board will contract for these services at an estimated cost of \$420,000 General Fund. ORSB is to report to the Governor and the Legislature on its findings by December 31, 2016, and then would be required to report annually to the Governor and the Legislature on the Board's activities.

The measure names five agencies (the Secretary of State, the Department of Revenue, the Employment Department, the Department of Consumer and Business Services, and the Bureau of Labor and Industries) that may assist with outreach, technical assistance and compliance services. If any of these named agencies, or any other unspecified agency, enters into an intergovernmental agreement to provide such services to the ORSB, they must develop a plan and report to the Board by January 1, 2016 on the plan and the timeline to implement the plan. The measure appropriates \$250,000 General Fund for one-time expenses to reimburse agencies for providing outreach or technical assistance services, but does not specify that compliance services provided by agencies are reimbursable. Agencies may need to request Other Funds expenditure limitation in order to expend funds transferred to them by the ORSB; however, such costs may not be known until January 1, 2016.

Other agencies, such as the Department of Administrative Services, may have a budgetary impact due to the need to establish a process to withhold and transfer contributions for participating temporary state employees who are not eligible for the state retirement benefit plan.

The 2017-19 cost of the measure is estimated to be \$326,956 (1.50 FTE). The cost would be a General Fund obligation unless sufficient fee revenue is received from private third party investment administrators to pay such expenses.

**PROPOSED AMENDMENTS TO  
A-ENGROSSED HOUSE BILL 2960**

1 On page 5 of the printed A-engrossed bill, delete line 45.

2 On page 6, delete lines 1 through 3 and insert:

3 **“SECTION 12. In addition to and not in lieu of any other appropri-**  
4 **ation, there is appropriated to the State Treasurer, for the biennium**  
5 **beginning July 1, 2015, out of the General Fund, the following**  
6 **amounts, for the following purposes:**

7 **“(1) \$250,000, which may be expended only for reimbursing other**  
8 **state agencies for providing outreach or technical assistance services**  
9 **for the Oregon Retirement Savings Board.**

10 **“(2) \$743,541, which may be expended only for operating expenses**  
11 **of the Oregon Retirement Savings Board.**

12 **“SECTION 13. Notwithstanding the provisions of section 6 of this**  
13 **2015 Act, as soon as is practicable, the State Treasurer shall transfer**  
14 **an amount equal to the total amount of appropriations made under**  
15 **section 12 of this 2015 Act from the Oregon Retirement Savings Plan**  
16 **Administrative Fund to the General Fund.”.**

17 In line 4, delete “13” and insert “14”.

18 In line 20, delete “14” and insert “15”.

19 In line 26, delete “15” and insert “16”.

20 In line 34, delete “16” and insert “17”.

21 In line 37, delete “17” and insert “18”.