

BUDGET REPORT AND MEASURE SUMMARY

Joint Committee On Ways and Means

Action:

Action Date:

Vote:

Prepared By: John Borden, Legislative Fiscal Office

Reviewed By: Ken Rocco, Legislative Fiscal Office

Agency: Oregon State Treasury

Biennium: 2015-17

Budget Summary*

	2013-15 Legislatively Approved Budget ⁽¹⁾	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	100%
Full-time Equivalent (FTE) positions	00.00	00.00	1.50	1.50	100%

(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 would be tax deductible under current law and pre-tax 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 one permanent, full-time position (1.00 FTE) and one permanent part-time position (0.50 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 with pre-tax dollars, 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.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 2960 B

State Treasury
John Borden, Legislative Fiscal Office

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2013-15 Legislatively Approved Budget at Dec 2014 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	0.00
2015-17 Current Service Level (CSL)*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	0.00
<u>SUBCOMMITTEE ADJUSTMENTS (from CSL)</u>									
SCR (to be established) - Oregon Retirement Savings Board									
Personal Services	\$ 296,457	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2	1.50
Services and Supplies (Instate Travel)	\$ 447,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
Special Payments	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
TOTAL ADJUSTMENTS	\$ 993,541	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2	1.50
SUBCOMMITTEE RECOMMENDATION *	\$ 993,541	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2	1.50
% Change from 2013-15 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Change from 2015-17 Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%