

## Department of Planning and Budget

### 2019 Fiscal Impact Statement

**1. Bill Number:** HB2432

<b>House of Origin</b>	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron:** Torian

**3. Committee:** Commerce and Labor

**4. Title:** My Virginia Plan Program; establishes My Virginia Plan Board, creates Fund.

**5. Summary:** Establishes the My Virginia Plan Board (the Board) and directs the Board to create the My Virginia Plan Program (the Program) to enable private employers to connect with financial services firms that offer retirement plans. The bill directs the Board to contract with a private entity to implement and administer the Program. The bill provides that participation in a plan offered through the Program is voluntary for employers and their employees. The bill requires the Board to review and approve financial services firms to offer retirement plans through the Program and create a website for employers to obtain information on how to participate. The bill requires the Board to ensure that the Program provides a range of investment options to meet the needs of investors with various levels of risk tolerance and various ages. The bill requires that in order to participate in the Program a financial services firm must register with the State Corporation Commission, meet the requirements of all federal laws required to offer retirement plans, and offer at least two product options, including a target date fund and a balanced fund. The bill authorizes the Department to charge fees to participating financial services firms to recoup start-up and ongoing costs. The bill prohibits financial services firms from charging administrative fees to employers but such firms may charge annual fees to enrollees.

**6. Budget Amendment Necessary:** No.

**7. Fiscal Impact Estimates:** Indeterminate – see Item 8.

**8. Fiscal Implications:** The proposed legislation requires “the agencies of the Secretary of the Treasury” to provide staff support and technical assistance for the My Virginia Plan Board to carry out its functions; however, the costs for providing staff support and technical assistance to the Board cannot be determined at this time. The additional costs would include personal expenses (salaries and benefits) for additional full-time equivalent positions to provide administrative and technical assistance to the My Virginia Plan Board, as well as nonpersonal expenses (rent for additional office space, information technology support, furniture, and supplies). The additional costs incurred for providing staff support and technical assistance to the My Virginia Plan Board is expected to be supported through the collection of fees charged to financial services firms participating in the My Virginia Plan Program. The fees

charged to the financial services firms shall not exceed the My Virginia Plan's administrative costs after the My Virginia Plan Program has been in operation for four years.

The proposed legislation establishes the My Virginia Plan Board as a supervisory board in the executive branch and includes 14 members to consist of six legislative members, seven nonlegislative citizen members, and one ex officio member. Members shall be appointed as follows: four members of the House of Delegates, to be appointed by the Speaker of the House of Delegates in accordance with the principles of proportional representation contained in the Rules of the House of Delegates; two members of the Senate, to be appointed by the Senate Committee on Rules; and seven nonlegislative citizen members who shall have experience in the financial industry related to retirement to be appointed by the Governor, subject to confirmation by the General Assembly. The Secretary of the Treasury or his designee shall serve ex officio with nonvoting privileges. Nonlegislative citizen members of the Board shall be citizens of the Commonwealth.

Legislative members of the My Virginia Plan Board are to receive compensation as provided in § 30-19.12, Code of Virginia, and nonlegislative citizen members of the Board are to receive compensation for the performance of their duties as provided in § 2.2-2813, Code of Virginia. All members of the My Virginia Plan Board are to be reimbursed for all reasonable and necessary expenses incurred in the performance of their duties as provided in §§ 2.2-2813 and 2.2-2825, Code of Virginia. Funding for the costs of compensation and expenses of the members shall be provided by the Department of the Treasury (TRS); however, TRS does not have the general fund appropriation within its current operating budget to support the My Virginia Plan Program's administrative costs. If the proposed legislation is passed, a budget amendment would be required to provide TRS with additional general fund support to compensate and reimburse members of the My Virginia Plan Board.

According to the State Corporation Commission, this bill is not expected to have a fiscal impact for the agency.

**9. Specific Agency or Political Subdivisions Affected:** Department of the Treasury and State Corporation Commission

**10. Technical Amendment Necessary:** Line 57, strike "Secretary of the Treasury", and insert "State Treasurer". Line 78, strike "Secretary of the Treasury" and insert "State Treasurer".

These technical amendments reflect the title of the agency head of the Department of the Treasury.

**11. Other Comments:** The proposed legislation is similar to House Bill 2431 (Torian).

House Bill 2431 establishes the My Virginia Plan Board (the Board) and directs the Board to create the My Virginia Plan Program (the Program) to allow employees of private employers in the Commonwealth to contribute to a defined contribution retirement plan overseen by the Board. The bill requires all self-employed individuals, sole proprietors, and nongovernmental

employers to allow their employees to participate in the Program, but exempts such employers from doing so if they offer a substitute retirement plan, defined in the bill. The bill authorizes the Board to contract with third parties to implement and administer the program. The Program shall allow an enrollee to contribute to an account at a default rate and modify his contributions within the parameters of the Internal Revenue Code but shall not require automatic enrollment. The Program shall not require a participating employer to contribute to the account of any enrollee. The bill prohibits the Commonwealth from guaranteeing a rate of return or interest rate on any contribution and indemnifies it from losses incurred through the Program. The bill directs the Board to conduct a market and legal analysis of the Program and requires the Board to establish the Program by July 1, 2021; however, if the Board determines that the Program would qualify as an employee benefit plan under the federal Employee Retirement Income Security Act of 1974, it is prohibited from establishing the Program.