

SF243 - 1A - "Higher Edu Incr Retire Contribution Rate"

Chief Author: **Nick Frentz**
 Committee: **State Government Finance and Policy and Elections**
 Date Completed: **03/26/2019**
 Agency: **Minnesota 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	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	1,758	3,517	5,275	7,034	
Total	-	1,758	3,517	5,275	7,034	
Biennial Total			5,275			12,309

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Marina Balleria Date: 3/26/2019 3:48:44 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		FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	1,758	3,517	5,275	7,034	
Total	-	1,758	3,517	5,275	7,034	
	Biennial Total		5,275		12,309	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	1,758	3,517	5,275	7,034	
Total	-	1,758	3,517	5,275	7,034	
	Biennial Total		5,275		12,309	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total		-		-	-

Bill Description

The bill increases the employer contribution to the higher education individual retirement account program (IRAP) under Minnesota Statutes, Chapter 354B, by 0.35% per fiscal year over the next five fiscal years.

	Current (FY 2019)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Minnesota State Contribution	6.00%	6.35%	6.70%	7.05%	7.40%	7.75%

Assumptions

The data is pulled using data for all employees in FY 2018. The assumptions for calculating the fiscal impact include:

- * Salaries will not increase
- * The headcount will not increase
- * Employees will continue participation in the individual retirement account plan

Expenditure and/or Revenue Formula

These fiscal impacts have effect on an estimated 7,091 employees or 51.5% of our workforce (as of 3/1/19).

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Retirement-Eligible Salaries	\$502,417,715	\$502,417,715	\$502,417,715	\$502,417,715	\$502,417,715
Increase in Contribution	0.35%	0.70%	1.05%	1.40%	1.75%
Minn State difference	\$1,758,462	\$3,516,924	\$5,275,386	\$7,033,848	\$8,792,310

The numbers in the above chart are based upon retirement-eligible salaries to IRAP in FY 2018. These increases are in addition to the current, annualized employer match of \$30,145,063 (\$502,417,715 x 6.00%).

Long-Term Fiscal Considerations

The bill will continue to cost \$8.79 million to the Minnesota State system per year, each subsequent year after FY 2024.

Local Fiscal Impact

References/Sources

Prepared by Derek Hughes - System Director, Total Rewards

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