

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-EIGHTH SESSION**

**S.F. No. 2078**

(SENATE AUTHORS: PAPPAS and Johnson)

DATE	D-PG	OFFICIAL STATUS
02/27/2014	5894	Introduction and first reading Referred to State and Local Government
03/12/2014	6125	Comm report: To pass and re-referred to Commerce
03/26/2014	6825a	Comm report: To pass as amended and re-refer to Finance See HF2536, Art. 2, Sec. 10

1.1 A bill for an act  
 1.2 relating to retirement; requiring the commissioner of management and budget  
 1.3 to report on the establishment of a state-administered retirement savings plan;  
 1.4 requiring a report; establishing a trust account; appropriating money.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **REPORT; RETIREMENT SAVINGS PLAN.**

1.7 (a) The commissioner of management and budget must report to the legislature by  
 1.8 January 15, 2015, on potential establishment of a state-administered retirement savings  
 1.9 plan to serve employees without access to either an automatic enrollment payroll deduction  
 1.10 IRA maintained or offered by their employer, or a multiemployer retirement plan or  
 1.11 qualifying retirement plan or arrangement described in sections 414(f) and 219(g)(5),  
 1.12 respectively, of the Internal Revenue Code of 1986, as amended through April 14, 2011.  
 1.13 The potential state-administered plan would provide for individuals to make contributions  
 1.14 to their own accounts, with the benefit consisting of the balance in each individual's  
 1.15 account, and with the state having no liability for investment earnings and losses.

1.16 (b) The report must include:

1.17 (1) estimates of the average amount of savings and other financial resources residents  
 1.18 of Minnesota have upon retirement and those that are recommended for a financially  
 1.19 secure retirement in Minnesota;

1.20 (2) estimates of the relative progress toward achieving the savings recommended for  
 1.21 a financially secure retirement by gender, race, and ethnicity;

1.22 (3) barriers to savings and reasons individuals and employers may not be  
 1.23 participating in existing private sector retirement plans;

2.1 (4) estimated impact on publicly funded social safety net programs attributable to  
2.2 insufficient retirement savings, and the aggregate effect of potential state-administered  
2.3 plan options on publicly funded social safety net programs and the state economy;

2.4 (5) estimates of the number of Minnesota workers who could be served by the  
2.5 potential state-administered plan, and the participation rate that would make the plan  
2.6 self-sustaining;

2.7 (6) effect of federal tax laws and the federal Employee Retirement Income Security  
2.8 Act on a potential state-administered plan and on participating employers and employees,  
2.9 including the effect of these laws if the plan included potential for employer contributions,  
2.10 either comingled with or segregated from employee contributions;

2.11 (7) advantages and disadvantages of a potential state-administered plan compared to  
2.12 private sector and federal government retirement savings options;

2.13 (8) existing state and federal consumer protections that would apply to a potential  
2.14 state-administered plan and options for strengthening consumer protections for plan  
2.15 participants;

2.16 (9) alternative ways and costs for the state to encourage similar outcomes to a  
2.17 state-administered plan;

2.18 (10) options for state administration of the plan, including investment strategies for  
2.19 funds contributed to the plan in consultation with the State Board of Investment, the  
2.20 potential use and availability of investment strategies, private insurance, underwriting,  
2.21 or reinsurance against loss to limit or eliminate potential state liability and manage risk  
2.22 to the principal, and group annuities to ensure a stable stream of retirement income  
2.23 throughout beneficiaries' retirement years;

2.24 (11) options for meeting the investment needs of participants based on income,  
2.25 desired liquidity, age, risk tolerance, and other factors determined by the commissioner;

2.26 (12) options for the process by which individuals or employers would contribute to  
2.27 the plan, and their effect on participation rates, savings rates, and fees;

2.28 (13) options discouraging employers from dropping existing employer-sponsored  
2.29 retirement savings plans in favor of a potential state-administered plan;

2.30 (14) projected costs of administration, record keeping, and investment management,  
2.31 including staffing, legal, compliance, licensing, procurement, communications with  
2.32 employers and employees, oversight, marketing, technology and infrastructure, and the fee  
2.33 needed to cover these costs as a percentage of the average daily net assets of the potential  
2.34 state-administered plan, relative to asset size and plan structure, and projected by year of  
2.35 plan operation, with estimates of investment-related fees determined in consultation with  
2.36 the State Board of Investment;

3.1 (15) how the projected fees compare with those of comparable retirement savings  
3.2 options in the private sector with similar risk-adjusted return expectations; and

3.3 (16) other topics that the commissioner determines are relevant to legislative  
3.4 consideration of possible establishment of a state-administered plan.

3.5 Sec. 2. **APPROPRIATION.**

3.6 \$..... is appropriated from the general fund for the fiscal year ending June 30, 2014,  
3.7 for purposes of section 1. This appropriation is available until spent.

3.8 Sec. 3. **EFFECTIVE DATE.**

3.9 Sections 1 and 2 are effective the day following final enactment.