



**State Fiscal Note for Bill  
Number: 2021-H-5675**

**Date of State Budget Office Approval:**

**Date Requested:** Thursday, June 3, 2021

**Date Due:** Sunday, June 13, 2021

**Impact on Expenditures**

FY 2021 N/A  
FY 2022 Indeterminate  
FY 2023 N/A

**Impact on Revenues**

FY 2021 N/A  
FY 2022 N/A  
FY 2023 N/A

**Explanation by State Budget Office:**

The Russell Act of 2021 would provide that effective January 1, 2022, any participating municipality as defined in § 45-21-2 may elect to offer to its employees the deferred compensation plans offered by the state. The account of any municipal employee who participates in the state deferred compensation plan would be subject to the same administration, rules, and regulations as are applicable and applied to the accounts of employees in the state deferred compensation plan.

**Comments on Sources of Funds:**

Costs for the administration and management of the state's 457(b) plan are borne by participants through annual or quarterly fees and are neither appropriated nor show up as State expenditures.

**Summary of Facts and Assumptions:**

1. The State of Rhode Island currently offers a voluntary deferred compensation plan, also commonly referred to as a 457(b) plan, to all state employees allowing eligible employees to accumulate tax-deferred savings in an IRA-type account. Seasonal, leased, or contracted employees are not eligible to participate. The annual maximum limit a participating employee may contribute is currently \$18,500, with a minimum contribution of \$260 annually, or \$10 per bi-weekly pay period. Participating state employees may choose from one of three vendors to administer and manage their 457(b) plans, which offer several investment options with varying fees based on fixed annual charges or a percentage of account balances. Below are the fees charged by each vendor:

- VOYA – Annual expense of 0.15% of account balance.
- Fidelity – Varies depending upon investment fund chosen from 0.47% - 0.75%
- TIAA-CREF -\$40 Annual Plan Servicing Fees

2. Municipal employees who chose to participate into the state's 457 plan will do so directly through one of the three vendors currently contracted by the state and would be subject to the same fees described above. Like existing State 457(b) plan costs, these would not be borne by the State but by fees assessed by the vendors on participating employees. Should this bill become law, the State of Rhode Island's Division of Human Resources will be available to direct and assist prospective participants to vendors and field general questions on the enrollment process to the state's deferred compensation plan, as is done currently with state employees. This fiscal note assumes that the Division of Human Resources absorbs the additional work with existing staff.

3. The Office of Employee Benefits also expects that amendments to existing

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contracts with the state's vendors would likely be required in order to include municipalities. While difficult to determine at this time, potential one-time start-up costs may be incurred that may require state funds in order to accommodate municipal employees. This estimate assumes that should start-up costs be incurred; they would occur during FY 2022.

4. With respect to estimated participation, approximately 1,725 state employees participate in the Deferred Compensation program, or 12.7%, from a total of 13,571.8 currently filled FTE for FY 2021. Division of Municipal finance Transparency Portal data indicates that as of 2019 there were a total of 26,934 municipal employee FTE, including school district employees. Accordingly, applying the state employee percentage would estimate approximately 3,423 municipal employee FTEs would participate in the program ( $26,934 * 12.7\% = 3,423$  municipal FTE). It is important to note, however, that several cities and towns in Rhode Island do provide their own respective 457(b) plans to municipal employees, which may or may not induce employees to elect into the state's deferred compensation plan.

5. At this time, due to the need to engage vendors in order obtain amendments to existing contracts, it is difficult to estimate if there would be any potential start-up costs involved in onboarding municipal employees. If enacted, potential start-up costs would occur in FY 2022 as the bill requires that municipal employees who elect to participate in the program may do so beginning on January 1, 2022.


*Summary of Fiscal  
Impact:*

Based on the foregoing facts and assumptions, the fiscal impact presented by passage of this bill is as follows:

FY2021 Expenditures: No Impact, due to timing.  
FY2022 Expenditures: Indeterminate  
FY2023 Expenditures: No Impact

*Budget Office Signature:*

*Fiscal Advisor Signature:*

  
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