



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill # HB0264

Title: Require notification of change to retirement plan beneficiary

Primary Sponsor: Court, Virginia

Status: As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Other - MPERA Pension Fund	\$12,383	\$12,506	\$12,632	\$12,758
Other - TRS Pension Fund	\$4,734	\$4,781	\$4,829	\$4,877
Other - MUS	\$7,663	\$7,740	\$7,817	\$7,895
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Other - MPERA Pension Fund	\$0	\$0	\$0	\$0
Other - TRS Pension Fund	\$0	\$0	\$0	\$0
Other - MUS	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 264 would require Montana Public Employee Retirement plans to notify a designated beneficiary via certified mail if a member changes their beneficiary designation pursuant to 19-20-1001(1), MCA. In order to comply with the requirements of HB 264, the retirement systems will incur additional postage fees related to mailing certified letters. It is estimated that HB 264 will have no impact on the financial status of Montana Public Employee Retirement plans.

FISCAL ANALYSIS

Assumptions:

Teachers' Retirement System

1. TRS would notify each affected beneficiary via certified mail when a beneficiary designation change takes place.

2. For the purposes of this fiscal note, it is assumed that TRS will process 1,149 change of beneficiary (COB) forms each year (4 year average).
 - a. FY 2011 1,002
 - b. FY 2012 1,089
 - c. FY 2013 1,359
 - d. FY 2014 1,146
3. The cost to send a certified letter is \$4.12 each with a 1% inflation assumption for FY 17 through FY 19. The yearly costs to TRS will be:
 - a. FY 2016 \$4,734
 - b. FY 2017 \$4,781
 - c. FY 2018 \$4,829
 - d. FY 2019 \$4,877

Public Employees’ Retirement System

4. Certified mail costs \$4.12 per envelope sent according to <http://www.certified-mail-envelopes.com/certified-mail-cost-comparison/> and is inflated 1% each year for FY 17 through FY 19.
5. MPERA does not keep addresses on beneficiaries.
6. MPERA has 87,000 beneficiaries based on an estimate of each member having 2 beneficiaries (43,505*2) = 87,010.
7. If members want to change their beneficiaries, they will be required to provide addresses for each beneficiary removed and each beneficiary added.
8. MPERA averages 3,000 beneficiary changes per year.
9. The cost to send a certified letter is \$4.12 each with a 1% inflation assumption for FY 17 through FY 19. The yearly costs to TRS will be:
 - a. FY 2016 \$12,383
 - b. FY 2017 \$12,506
 - c. FY 2018 \$12,632
 - d. FY 2019 \$12,758
10. MPERA’s form does not provide a place to submit beneficiary addresses and there would be an unknown cost to change the form to include beneficiary addresses.

Montana University System

11. The Montana University Retirement Plan (MUS_RP) has about 9,300 participants. Each participant has an average of 2 beneficiaries.
12. The MUS_RP assumes that 10% of plan participants will make changes to beneficiaries each year.
13. The MUS_RP does not currently collect addresses on beneficiaries.
14. If participants of the MUS_RP want to change their beneficiaries, they will be required to provide addresses for each beneficiary removed and each beneficiary added.
15. Certified mail is assumed to cost \$4.12 per envelope sent.
16. The MUS-RP estimates that 1,860 requests will be received each year to change beneficiaries. This is estimated to cost \$7,663 in FY 16 and is inflated by 1% per year in FY 17 through FY 19.

Expenditures:

Operating Expenses - MPER	\$12,383	\$12,506	\$12,632	\$12,758
Operating Expenses - TRS	\$4,734	\$4,781	\$4,829	\$4,877
Operating Expenses - MUS	\$7,663	\$7,740	\$7,817	\$7,895
TOTAL Expenditures	\$24,780	\$25,027	\$25,278	\$25,530

Funding of Expenditures:

Other - MPERA Pension Fun	\$12,383	\$12,506	\$12,632	\$12,758
Other - TRS Pension Fund	\$4,734	\$4,781	\$4,829	\$4,877
Other - MUS	\$7,663	\$7,740	\$7,817	\$7,895
TOTAL Funding of Exp.	\$24,780	\$25,027	\$25,278	\$25,530

Revenues:

Other - MPERA Pension Fun	\$0	\$0	\$0	\$0
Other - TRS Pension Fund	\$0	\$0	\$0	\$0
Other - MUS	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

Other - MPERA Pension Fun	(\$12,383)	(\$12,506)	(\$12,632)	(\$12,758)
Other - TRS Pension Fund	(\$4,734)	(\$4,781)	(\$4,829)	(\$4,877)
Other - MUS	(\$7,663)	(\$7,740)	(\$7,817)	(\$7,895)

Technical Notes:

1. It is unclear whether requiring beneficiary notification when a member changes/revokes the interest of a beneficiary could be a violation of a member’s individual privacy rights which are protected under Article II, Section 10 of the Montana Constitution.

Sponsor’s Initials

Date

Budget Director’s Initials

Date