

Department of Finance and Administration

Legislative Impact Statement

Bill: SB236

Amendment Number: S1

**Bill Subtitle: TO ESTABLISH A SMALL BUSINESS RETIREMENT PROGRAM IN ARKANSAS;
AND TO DECLARE AN EMERGENCY.**

Basic Change :

Sponsor: Sen. Files

SB236-S1 creates the Arkansas Small Business Voluntary Retirement Program. The purpose of the program is to provide and maintain a cost-effective group retirement program in which a small non-governmental employer and its employees may elect to participate. A Board of Trustees will be established to oversee the operation of the plan, including oversight of the plan's trust fund. The retirement program will be a new office within the Department of Finance and Administration (DFA). DFA is vested with the following program administrative responsibilities:

1. DFA may employ and fix the compensation of any secretarial, clerical, professional, and other personnel required for the program.
2. The Director of DFA will be an ex officio nonvoting board member.
3. DFA is to develop and distribute information to educate the public, particularly employers and employees, about the program. DFA is to maintain a link to this educational information on its website.
4. DFA will make a list of participating employers provided by the program's Board of Trustees available on DFA's website.
5. DFA will establish and maintain the "Arkansas Small Business Voluntary Retirement Marketplace" website. This website is to assist small businesses in identifying financial services firms that provide financial arrangements that can be implemented by a small business employer in lieu of participating in the retirement plan program. DFA is to establish the manner in which a small business employer and a financial services firm may participate in the marketplace. DFA may charge a financial services firm that offers investment products on the marketplace for a fee. DFA is to provide public notice of the marketplace and the marketplace website before they become publicly available. DFA is responsible for approving the participation of certain financial services firms that wish to participate in the marketplace. DFA is to revoke the participation of a financial services firm from the marketplace for at least five years if the financial services firm violates the law or otherwise provides misleading or inaccurate information.

Revenue Impact :

It is difficult to estimate the administrative costs to implement and administer the small business voluntary retirement program in the bill. For purposes of comparison, the appropriation for the Employee Benefits Division (EBD) of DFA in 2017 is \$3,096,661. See HB1246. In addition, the appropriation for the Arkansas Public Retirement System is \$142,050,285. See Act 180 of 2017.

Taxpayer Impact :

Taxpayer employers would be able to establish a retirement program through this bill and the taxpayer's employees would have the option to participate.

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Resources Required :

Establishing an office within DFA hiring an executive director and additional staff. An appropriation would be required to fund the implementation and administrative costs of the bill.

Time Required :

Approximately 12 months to establish the office, hire staff, and implement the retirement program.

Procedural Changes :

None.

Other Comments :

None.

Legal Analysis :

The amendment creates an independent retirement plan for employees of Arkansas small businesses. A Board of Trustees will be established to oversee the operation of the plan, including oversight of the plan's trust fund. However, the Department of Finance & Administration (DFA) is also vested with plan administrative responsibilities. DFA will primarily be responsible for plan-related public education via a website DFA is to set up and maintain for the plan.

This bill will have a significant impact on DFA as it will be required to establish a voluntary retirement system for employers that do not offer a retirement plan to employees. DFA will have significant new duties. Not only will these duties require an expansion of additional DFA personnel and physical resources, such an expansion will require many resources that are outside the DFA's existing expertise. The implementation of this bill will have a significant impact on the DFA.

This bill contains an emergency clause making the bill effective upon approval by the Governor. DFA does not have funds appropriated this fiscal year to establish and implement the retirement program as contemplated in this bill.