

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 420** SLS 22RS 1272

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 22, 2022	3:13 PM	Author: BERNARD
Dept./Agy.: Office of Group Benefits		Analyst: Patrice Thomas
Subject: Investment of OGB's Operating Funds		

GROUP BENEFITS PROGRAM OR INCREASE SG RV See Note Page 1 of 2
Provides relative to operating funds of the Office of Group Benefits. (7/1/22)

Proposed law provides that all funds under the control of OGB, called "Group Funds", shall be managed according to the following procedures: (1) Group Funds deposited with the state treasurer shall be invested in the same manner as State General Fund and interest on Group Funds shall be credited to Group Funds. (2) Group Funds shall be available for appropriation to pay expenses incurred by outside investment managers for the investment and management of Group Funds, and for other custody, investment, and disbursement costs directly attributable to Group Funds. (3) Interest on Group Funds shall be classified as self-generated revenues of OGB and available for appropriation. Proposed law effective July 1, 2022.

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$4,866	\$7,602	\$10,466	\$10,549	\$10,646	\$44,129
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$4,866	\$7,602	\$10,466	\$10,549	\$10,646	\$44,129

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will marginally increase SGR expenditures within the Office of Group Benefits (OGB) as a result of paying custody, investment, and distribution fees to outside investment managers for the management and investment of Group Funds. OGB estimates payments to outside investment managers of \$4,866 in FY 23, \$7,602 in FY 24, \$10,466 in FY 25, \$10,549 in FY 26, and \$10,646 in FY 27. Estimates are based on prior year actuals fees paid by OGB to the State Treasury Department for banking services, which includes an annual base portfolio fee of \$2,148 and annual investment fee of 0.002%.

Annual Investment Fee Calculations

FY 23 = \$2,718 = \$411,805,834 fund balance x 33% invested = \$135,895,925 fund balance invested x 0.002% investment fee
 FY 24 = \$5,454 = \$413,164,793 fund balance x 66% invested = \$272,688,764 fund balance invested x 0.002% investment fee
 FY 25 = \$8,318 = \$415,891,681 fund balance x 100% invested = \$415,891,681 fund balance invested x 0.002% investment fee
 FY 26 = \$8,401 = \$420,050,598 fund balance x 100% invested = \$420,050,598 fund balance invested x 0.002% investment fee
 FY 27 = \$8,498 = \$424,881,180 fund balance x 100% invested = \$424,881,180 interest earned x 0.002% investment fee

	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Total
Annual Investment Fees	\$2,718	\$5,454	\$8,318	\$8,401	\$8,498	\$33,388
Base Portfolio Fees	\$2,148	\$2,148	\$2,148	\$2,148	\$2,148	\$10,740
Total	\$4,866	\$7,602	\$10,466	\$10,549	\$10,646	\$44,125

REVENUE EXPLANATION

Proposed law is estimated to increase self-generated revenues within OGB. The proposed law authorizes OGB to allow the State Treasury Department to invest all of OGB's funds, collected referred to as Group Funds, in the same manner as SGF. Based upon the assumptions listed below, the revenue range are as follows:

	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Total
Low	\$ 533,959	\$1,071,443	\$1,634,112	\$1,898,022	\$2,086,792	\$ 7,224,328
High	\$1,358,959	\$2,726,888	\$4,158,917	\$4,830,582	\$5,311,015	\$18,386,360

The revenue estimate is based upon the following assumptions: (1) As of 3/31/2022, OGB had available cash reserves of \$370,116,915 and the actuary projects the accrual fund balance will be \$411,805,834 by the end of FY 23. (2) Projected interest rates from State Treasury Department of 0.33% in FY 23, 0.66% in FY 24, 1% in FY 25, 1.15% in FY 26, and 1.25% in FY 27. (3) It will take the State Treasury Department three years to fully invest OGB's funds. The percentage of fund balance that will be invested by the State Treasury Department is 33% in FY 23, 66% in FY 24, and 100% in beginning in FY 25. (4) None of the \$411,805,834 projected fund balance will be used to fund any of OGB's operating expenditures. Also, the fund balance remains constant and growth will be the result of additional interest earned under this measure. (5) Investment will begin on 7/01/2022.

EXPENDITURE EXPLANATION Continues on Page 2

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
Evan Brasseaux
Interim Deputy Fiscal Officer

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 420** SLS 22RS 1272

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 22, 2022 3:13 PM **Author:** BERNARD
Dept./Agy.: Office of Group Benefits **Analyst:** Patrice Thomas
Subject: Investment of OGB's Operating Funds

CONTINUED EXPLANATION from page one:
REVENUE EXPLANATION Continued from Page 1

Below are revenue calculations utilized to project the revenue increase within OGB as a result of the proposed law utilizing the assumptions listed on page one. The revenue calculations are presented as low-end and high-end. The low-end calculations are based on OGB investing their fund balance minus \$250 M. OGB reports \$250 M is the amount needed to maintain an actuarially sound fund balance. The high-end calculations are based on OGB investing all of their available fund balance.

Fund Balance

Low = \$161,805,834 = \$411,805,834 - \$250,000,000 reserve

High = \$411,805,834 = \$411,805,834 - \$0 reserve

Projected interest earning rates per fiscal year:

FY 23 - 0.33%

FY 24 - 0.66%

FY 25 - 1.00%

FY 26 - 1.15%

FY 27 - 1.25%

Annual Interest Earnings Calculations

Interest Earnings = Investment Account Balance x Interest Earning Rate

FY 23 (Low) = \$ 533,959 = \$161,805,834 fund balance x 0.33% interest earned

FY 23 (High) = \$1,358,959 = \$411,805,834 fund balance x 0.33% interest earned

FY 24 (Low) = \$1,071,443 = \$162,339,793 fund balance x 0.66% interest earned

FY 24 (High) = \$2,726,888 = \$413,164,793 fund balance x 0.66% interest earned

FY 25 (Low) = \$1,634,112 = \$163,411,236 fund balance x 1.00% interest earned

FY 25 (High) = \$4,158,917 = \$415,891,681 fund balance x 1.00% interest earned

FY 26 (Low) = \$1,898,022 = \$165,045,348 fund balance x 1.15% interest earned

FY 26 (High) = \$4,830,582 = \$420,050,598 fund balance x 1.15% interest earned

FY 27 (Low) = \$2,086,792 = \$166,943,370 fund balance x 1.25% interest earned

FY 27 (High) = \$5,311,015 = \$424,881,180 fund balance x 1.25% interest earned

Senate

Dual Referral Rules

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

Evan Brasseaux
Interim Deputy Fiscal Officer