

## **Montana State Fund**

### **State Agency Impact Due to Privatization**

#### **Assumption for this Impact Analysis**

State agencies will continue to purchase workers' compensation insurance through Montana State Fund if MSF is no longer part of state government.

If the state was to self-insure for workers' compensation, there could be fiscal savings or additional expense.

#### **Department of Administration**

Fees for services provided by the majority of Department of Administration's departments are based on the actual costs to provide those services. For divisions processing premium and claims payments, such as Risk Management and Tort Defense and Health Care and Benefits, MSF's privatization will have little or no financial impact.

Charges for the Statewide Cost Allocation Plan (SWCAP), SABHRS, Human Resources Information System (HRIS) and print and mail services include a level of fixed and indirect costs that will not decrease as a result of the privatization. These estimated costs, which are itemized below, will be absorbed by other state agencies, increasing their proportionate share of these charges.

The state's Information Technology Services Division charges state agencies based on the various technological services provided. Services provided to Montana State Fund will be allocated to other state agencies, resulting in future rate increases.

SITSD does not own any of the networks or phone system equipment used by MSF, there is no projected cost savings due to equipment resale or disposal.

#### **Board of Investments**

The Board of Investments' operational and custodial bank costs are fixed and do not vary with the Board's amount of assets managed. Operational costs for the agency (i.e., personal services, contracted services, communications, travel, rent, etc.) are projected to be \$415,000 for fiscal years 2014 and 2015. These costs are divided up and charged to the various investment pools.

Investment pools will be smaller if Montana State Fund's \$1.37 billion in assets are removed, but BOI's cost to administer these funds will not decrease. Therefore, state agencies will absorb the projected shortage.

**Public Employees' Retirement System**

OBPP has requested the Public Employees' Retirement System's actuary, Cheiron, review current PERS information to determine impacts of removing MSF employees from their plan.

These actuarial projections will not be available until January 2014, so no fiscal impact for PERS is included in this summary.

**Total Annual Fiscal Impact (excluding PERS impact)**

	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>
DofA – Statewide Cost Allocation Plan	\$39,624	\$44,150 *
DofA – FTSB (SABHRS):	\$69,939	\$64,855
DofA – SITSD:	\$409,020	\$409,020
DofA - SABHRS HR System (HRIS):	\$ 59,558	\$ 59,558
DofA - Print and Mail Services:	\$ 43,400	\$ 43,400
Board of Investments:	<b><u>\$415,000</u></b>	<b><u>\$415,000</u></b>
Total Estimated Impact:	\$1,036,541	\$1,035,983

**Impact on FTE**

Based on information provided by the Department of Administration and the Board of Investments, there will be no impact to current FTE if Montana State Fund is no longer part of state government. Impact to personnel employed by PERS is uncertain at this time.

**Montana State Fund Office Building**

The Board of Investments was involved in financing the construction of the Montana State Fund Office Building, located at 855 Front Street, Helena, Montana. However, there is no longer any connection between BOI and State Fund with regard to this building, and the building is shown as an asset owned by MSF on the Fund's financial statements.

\* Estimate based on average SWCAP Recovery Billing for the FY 2011 through FY 2014 time period.