BILL ANALYSIS

H.B. 957
By: Orr
Pensions & Investments
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The state currently has a deferred compensation option available for state employees, popularly known as a 401(k) plan. The nation as a whole suffers from low levels of personal savings. In an attempt to encourage people to save more of their earnings, the bill will automatically enroll newly hired state employees in the state's 401(k) plan. The bill essentially changes the current system from "opt-in" to "opt-out."

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Board of Trustees of the Employees Retirement System in SECTION 1 (Sec. 609.5025, Government Code) of this bill.

ANALYSIS

The bill applies only to an employee of a state agency participating in a 401(k) plan and requires an employee to participate in the 401(k) unless the employee affirmatively elects not to participate. The default contribution rate is one percent and the ERS Board of trustees will determine what the default investment product will be. At any time, the employee may choose to end participation in the 401(k) plan, may contribute to a different investment product, or select a different contribution rate. The ERS Board shall ensure that each employee, at the time of employment, is informed of the elections and responsibilities an employee has regarding the default compensation plan. The act specifies that amounts deducted under its provision are not deducted to pay debts and are not garnishment or assignment of wages. The act also allows the contribution amounts to a 401(k) plan to be deducted from pay without authorization in writing from the employee. The enrollment in a 401(k) plan applies to officers and employees of the state who initially take office on or after January 1, 2008.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2007.