

BILL ANALYSIS

C.S.H.B. 3322
By: Truitt
Pensions & Investments
Committee Report (Substituted)

BACKGROUND AND PURPOSE

In the 78th Legislature, SB 1652 authorized institutions of higher education to create and administer a deferred compensation savings plan under Section 457 of the Internal Revenue Code of 1986. Under a 457 plan, governmental employees are allowed to save for retirement by deferring compensation on a pre-tax basis through payroll deductions.

Acting under the authority granted by statute, the Board of Regents of The University of Texas System (UT System) established a 457 plan for UT System employees. Before then, the only 457 plan available to UT System employees was the TexaSaver Program offered by the Employees Retirement System (ERS).

An Internal Revenue Service limitation on account transfers prohibits active UT System employees from transferring assets from the TexaSaver Program to the UT System's 457 plan before severance from employment. However, federal law permits a plan-to-plan transfer of all plan assets from one eligible governmental plan to another within the same state.

This bill facilitates the plan-to-plan transfer permitted by federal law such that the assets of the TexaSaver Program belonging to UT System employees will be transferred to UT System plan.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

The Act amends the Government Code by adding language to authorize the Board of Trustees of the Employee Retirement System (ERS) of Texas to allow the transfer from its TexaSaver 457 plan to the plan administrator of a 457 plan created by an institution of higher education under Subchapter D, Chapter 609, Government Code, of all deferred amounts and investment income administered by the TexaSaver 457 plan for employees of the institution of higher education who are participating or eligible to participate in the institution's 457 plan at the time of the transfer.

The Act requires that the ERS Board of Trustees and the institution of higher education desiring the transfer cooperate with each other to ensure that the transfer is accomplished as expeditiously as possible. The institution of higher education must make a request to the ERS Board of Trustees to begin a transfer. After the transfer, the plan administrator for the 457 plan created by the institution of higher education is responsible for all fiduciary duties, plan administration duties, and other responsibilities regarding the deferred amounts and investment income that have been transferred, and the ERS Board of Trustees is relieved of those same duties and responsibilities.

EFFECTIVE DATE

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

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute was drafted by the Legislative Council and makes conforming corrections and drafting changes to the original bill.