

## **BILL ANALYSIS**

C.S.H.B. 2283

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Pensions, Investments & Financial Services  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

An adequate income during retirement is crucial for State of Texas employees leaving the workforce. For most state employees, the combination of pension and Social Security will not be sufficient for living expenses after retirement. The state offers the TexaSaver Program, a voluntary deferred compensation program, which includes both a 401(k) plan and a 457 plan to meet the retirement savings needs of state employees.

In 2008, the Employees Retirement System of Texas (ERS) pensions provided annuitants with approximately \$18,000 (or \$1,500 per month) in benefits. Based on figures for 2008 retirees, state employees with 25 years or more of credited service received 92 to 105 percent of an employee's salary from the combination of ERS pensions and Social Security. Employees with less service, such as 10 to 15 years, would receive only an estimated 60 percent of their salary from those sources.

Given the fact that retirement is often many years away for those beginning to save and the fact that retirees may be retired for several decades, it is often difficult for a person to estimate accurately the financial or personal needs of retirement.

C.S.H.B. 2283 adds program features within the TexaSaver Program to make it easier and more attractive for employees to participate by encouraging them to begin saving as well as maintain savings for retirement by making several changes to the provisions of the program.

C.S.H.B. 2283 authorizes a Roth 401(k) option to the TexaSaver Program, authorizes a Roth 457 option when permissible under federal law, expands automatic enrollment, and authorizes an employer match.

### **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**

C.S.H.B. 2283 amends the Government Code to authorize the board of trustees of the Employees Retirement System of Texas to establish a qualified Roth contribution program in accordance with the Internal Revenue Code of 1986 under which an employee may designate all or a portion of the employee's contribution under a 401(k) plan as a Roth contribution at the time the contribution is made, subject to the availability of a Roth contribution program. The bill authorizes the board of trustees, if authorized by federal law, to establish a program in accordance with the applicable federal law under which an employee may designate all or a portion of the employee's contribution under a 457 plan as a Roth contribution at the time the contribution is made.

C.S.H.B. 2283 authorizes the retirement system, subject to separate legislative appropriation for the purpose, to make matching contributions to a 401(k) plan on behalf of employees participating in the plan solely from, and in an amount specified by, the appropriation. The bill authorizes the retirement system to make a matching contribution only if the retirement system receives amounts sufficient to cover normal costs and maintains a funded ratio equal to or greater than 90 percent.

C.S.H.B. 2283 provides that automatic participation in and contribution to a 401(k) plan applies to an employee of a state agency regardless of the date on which the employee begins employment, unless the employee affirmatively elects not to participate in the plan. The bill establishes that for an employee, who began employment before the effective date of this bill, automatic participation in a 401(k) plan begins as soon as practicable after the effective date of this bill, but not later than August, 31, 2010, subject to the employee's option to elect not to participate or to contribute a different amount to the plan.

### **EFFECTIVE DATE**

September 1, 2009.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 2283 differs from the original by authorizing the board of trustees of the Employees Retirement System of Texas to establish a qualified Roth contribution program and a program under which an employee may designate the employee's contribution under a 457 plan as a Roth contribution, rather than requiring the board to do so as in the original.

C.S.H.B. 2283 differs from the original by specifying that the designation of all or a portion of an employee's contribution as a Roth contribution is subject to the availability of a Roth contribution program, whereas the original did not address the condition of a program's availability.

C.S.H.B. 2283 differs from the original by removing a provision in the original for a graduated one percent annual increase in an employee's contribution to a 401(k) plan, up to a total annual contribution equal to five percent of the employee's compensation.

C.S.H.B. 2283 adds to the provision in the original relating to the retirement system matching contributions to a 401(K) plan, specifying that the state matching contribution is subject to a separate legislative appropriation made for that purpose and that the retirement system is authorized to make those matching contributions solely from the appropriation, whereas the original made the matching contributions subject to legislative appropriation general and did not specify the appropriation as the sole source.

C.S.H.B. 2283 differs from the original by not repealing Section 4, Chapter 1409, (H.B. 957), Acts of the 80th Legislature, Regular Session, 2007, relating to a statutory provision governing an employee's automatic participation in a 401(k) for certain state agency officers or employees, as did the original.

C.S.H.B. 2283 differs from the original by applying the statute relating to automatic participation in a 401(k) plan and default investment product in its entirety to certain employees of state agencies, with respect to the date on which such employees begin their employment, whereas the original applied only that portion of the statute that the original amended to provide for the graduated increases in employee contributions.