

## **BILL ANALYSIS**

S.B. 366  
By: Taylor  
Pensions  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Recent legislation has granted state agencies the authority to establish deferred compensation plans using both traditional contributions and Roth contributions. However, as interested parties note, political subdivisions are allowed to establish only traditional deferred compensation plans and not qualified Roth contribution plans. There are concerns that some political subdivisions, without realizing they did not have the authority to do so, have implemented Roth contribution programs in their deferred compensation plan offerings in accordance with federal law. There are additional concerns that the plan administrator of a 457 plan does not have the authority to allow a qualified vendor to lend money to an employee participating in such a plan. S.B. 366 seeks to give political subdivisions more freedom in the administration of their deferred compensation plans.

### **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**

S.B. 366 amends the Government Code to authorize a political subdivision to establish a qualified Roth contribution program in accordance with the federal 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 or convert all or a portion of the employee's previous contribution under the plan to a Roth contribution. The bill authorizes a political subdivision, 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 or convert all or a portion of the employee's previous contribution under the plan to a Roth contribution.

S.B. 366 authorizes the plan administrator of a 457 plan to develop and implement procedures to efficiently administer a program under the plan that allows a qualified vendor to lend money to a participating employee.

S.B. 366 specifies that the legislature validates an act taken before the bill's effective date by a political subdivision to establish and administer a qualified Roth contribution program in accordance with the federal Internal Revenue Code of 1986, a program in accordance with federal law under which an employee may designate or convert all or a portion of the employee's contribution under a 457 plan as or to a Roth contribution at the time the contribution is made, or a loan program under a 457 plan. The bill specifies the legislature's validation of such an act does not apply to a matter that on the bill's effective date is involved in litigation, if the litigation ultimately results in the matter being held invalid by a final court judgment, or has been held invalid by a final court judgment.

**EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2013.