

## **BILL ANALYSIS**

H.B. 2477  
By: Coleman  
County Affairs  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

It has been suggested that requiring a hospital district employee to opt in to a deferred compensation plan offered by the district has led to less than optimal participation rates and that greater participation may lead to greater returns. It has also been suggested that providing an opt-out deferred compensation plan, whereby an employee would automatically participate in the plan with the option to opt out, would be beneficial to the districts and district employees. H.B. 2477 seeks to address this issue by providing for automatic participation in a deferred compensation plan by certain hospital district employees.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **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**

H.B. 2477 amends the Government Code to authorize a hospital district created under general or special law that offers an applicable deferred compensation plan to the district's employees to elect, at the district's option, to require automatic employee participation in a deferred compensation plan.

H.B. 2477 establishes that an employee of a district that makes such an election automatically participates in a deferred compensation plan provided by the district unless the employee affirmatively elects not to participate in the plan. The bill establishes that an employee is not required to affirmatively contract for and consent to participation in a plan. The bill establishes that an employee participating in a plan makes a contribution of three percent of the compensation earned by the employee to a default investment product selected by the plan administrator based on applicable criteria and rules and that the contribution is made by automatic payroll deduction. The bill authorizes an employee participating in a plan, at any time and in accordance with rules adopted by the district's board, to elect to end participation in the plan, to contribute to a different investment product, to contribute a different amount to the plan, or to designate all or a portion of the employee's contribution as a Roth contribution subject to the availability of a Roth contribution program. The bill sets out related provisions, including provisions relating to the provision of information to a new employee and district rules regarding the operation of a deferred compensation plan. These provisions of the bill relating to automatic participation in a deferred compensation plan apply only to an employee of an applicable hospital district who initially begins employment on or after January 1, 2020.

H.B. 2477 authorizes a hospital district to transfer an employee's deferred amounts and investment income from a qualified investment product to the trust fund of the deferred compensation plan in which the employee participates if the district determines that the transfer is in the best interest of the plan and the employee. The bill sets out provisions relating to notice of the transfer. The bill authorizes a district, instead of depositing deferred amounts and investment income in the trust fund of the deferred compensation plan, to invest deferred amounts and investment income in a qualified investment product specifically designated by the district for that purpose. The bill authorizes a district to contract for necessary goods and consolidated billing, accounting, and other services to be provided in connection with a deferred compensation plan and provides for periodic audits relating to such a contract.

H.B. 2477 provides for the validation of certain acts of a hospital district created under general or special law that relate to discretionary transfers of funds and consolidation of billing and accounting for deferred compensation plans provided by the district to the district's employees and that occurred before the bill's effective date as if the acts had occurred as authorized by law.

**EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2019.