

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Coleman

H.B. No. 2477

A BILL TO BE ENTITLED

AN ACT

relating to automatic employee participation in and administration of a deferred compensation plan provided by certain hospital districts.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 609.007(c), Government Code, is amended to read as follows:

(c) Except as provided by Section 609.202 or 609.5025, to participate in a deferred compensation plan, an employee must consent in the contract to automatic payroll deductions in an amount equal to the deferred amount.

SECTION 2. Chapter 609, Government Code, is amended by adding Subchapter B-1 to read as follows:

SUBCHAPTER B-1. PARTICIPATION IN DEFERRED COMPENSATION PLAN BY CERTAIN HOSPITAL DISTRICT EMPLOYEES

Sec. 609.201. APPLICABILITY OF SUBCHAPTER. (a) This subchapter applies only to a hospital district created under general or special law if the district offers a deferred compensation plan to the district's employees under Subchapter B.

(b) A hospital district subject to this subchapter may, at the district's option, elect to require automatic employee participation in a deferred compensation plan under Section 609.202.

Sec. 609.202. AUTOMATIC PARTICIPATION; DEFAULT INVESTMENT

1 PRODUCT. (a) This section applies only to an employee of a  
2 hospital district that elects under Section 609.201(b) to require  
3 automatic employee participation in a deferred compensation plan  
4 under this section.

5 (b) An employee automatically participates in a deferred  
6 compensation plan provided by the hospital district unless the  
7 employee affirmatively elects not to participate in the plan.  
8 Notwithstanding Sections 609.007(a) and (c), an employee is not  
9 required to affirmatively contract for and consent to participation  
10 in a plan under this section.

11 (c) An employee participating in a deferred compensation  
12 plan under this section makes a contribution of three percent of the  
13 compensation earned by the employee to a default investment product  
14 selected by the plan administrator based on the criteria  
15 established under Section 609.113 and the rules adopted under  
16 Subsection (f). The contribution is made by automatic payroll  
17 deduction.

18 (d) At any time, an employee participating in a deferred  
19 compensation plan under this section may, in accordance with rules  
20 adopted by the board of the hospital district, elect to end  
21 participation in the plan, to contribute to a different investment  
22 product, to contribute a different amount to the plan, or to  
23 designate all or a portion of the employee's contribution as a Roth  
24 contribution subject to the availability of a Roth contribution  
25 program.

26 (e) A hospital district to which this subchapter applies  
27 shall ensure that, at the time of employment, each employee is

1 informed of:

2 (1) the elections the employee may make under this  
3 section; and

4 (2) the responsibilities of the employee under Section  
5 609.010.

6 (f) The board of the hospital district shall adopt rules to  
7 implement the requirements of this section. The rules must ensure  
8 that the operation of a deferred compensation plan under this  
9 section conforms to the applicable requirements of any federal rule  
10 that provides fiduciary relief for investments in qualified default  
11 investment alternatives or otherwise governs default investment  
12 alternatives under participant-directed individual account plans.

13 (g) The amount deducted under this section from an  
14 employee's compensation is not deducted for payment of a debt and  
15 the automatic payroll deduction is not garnishment or assignment of  
16 wages.

17 (h) Using existing resources, the hospital district shall  
18 inform new employees of their automatic enrollment in a deferred  
19 compensation plan and their right to opt out of enrollment. Using  
20 existing resources, this information must be included as part of  
21 the new employee orientation process. The district shall maintain  
22 a record of a new employee's acknowledgment of receipt of  
23 information regarding the ability to opt out of enrollment in a  
24 deferred compensation plan.

25 Sec. 609.203. DISCRETIONARY TRANSFER. (a) A hospital  
26 district may transfer an employee's deferred amounts and investment  
27 income from a qualified investment product to the trust fund of the

1 deferred compensation plan in which the employee participates if  
2 the district determines that the transfer is in the best interest of  
3 the plan and the employee.

4 (b) The hospital district is not required to give notice of  
5 a transfer under Subsection (a) to the employee before the transfer  
6 occurs.

7 (c) Promptly after a transfer under Subsection (a) occurs,  
8 the hospital district shall give to the employee a notice that:

9 (1) states the reason for the transfer; and

10 (2) requests that the employee promptly designate  
11 another qualified investment product to receive the transferred  
12 amount.

13 Sec. 609.204. ALTERNATIVE TO FUND DEPOSIT. Instead of  
14 depositing deferred amounts and investment income in the trust fund  
15 of the deferred compensation plan, a hospital district may invest  
16 deferred amounts and investment income in a qualified investment  
17 product specifically designated by the district for that purpose.

18 Sec. 609.205. CONTRACTS FOR GOODS AND SERVICES. (a) A  
19 hospital district may contract for necessary goods and consolidated  
20 billing, accounting, and other services to be provided in  
21 connection with a deferred compensation plan.

22 (b) In a contract under Subsection (a), the hospital  
23 district may provide for periodic audits of the person with whom the  
24 contract is made. An audit may cover:

25 (1) the proper handling and accounting of public or  
26 trust funds; and

27 (2) other matters related to the proper performance of

1 the contract.

2 (c) The hospital district may contract with a private entity  
3 to conduct an audit under Subsection (b).

4 SECTION 3. Section 609.202, Government Code, as added by  
5 this Act, applies only to an employee of a hospital district subject  
6 to that section who initially begins employment on or after January  
7 1, 2020.

8 SECTION 4. (a) Except as provided by Subsection (b) of this  
9 section, the acts of a hospital district created under general or  
10 special law that relate to discretionary transfers of funds and  
11 consolidation of billing and accounting for deferred compensation  
12 plans provided by the district to the district's employees and that  
13 occurred before the effective date of this Act are validated as if  
14 the acts had occurred as authorized by law.

15 (b) This section does not validate an act that, under the  
16 law of this state at the time the act occurred, was a misdemeanor or  
17 felony.

18 SECTION 5. This Act takes effect immediately if it receives  
19 a vote of two-thirds of all the members elected to each house, as  
20 provided by Section 39, Article III, Texas Constitution. If this  
21 Act does not receive the vote necessary for immediate effect, this  
22 Act takes effect September 1, 2019.

ADOPTED

MAY 19 2019

*Letty Spaw*  
Secretary of the Senate

By: Coleman/Miles

H.B. No. 2477

Substitute the following for H.B. No. 2477 :

By: *Carl Alth*

C.S.     . B. No.     

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(b) A hospital district subject to this subchapter may, at the district's option, elect to require automatic employee participation in a deferred compensation plan under Section 609.202.

Sec. 609.202. AUTOMATIC PARTICIPATION; DEFAULT INVESTMENT

1 PRODUCT. (a) This section applies only to an employee of a  
2 hospital district that elects under Section 609.201(b) to require  
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5 (b) An employee automatically participates in a deferred  
6 compensation plan provided by the hospital district unless the  
7 employee affirmatively elects not to participate in the plan.  
8 Notwithstanding Sections 609.007(a) and (c), an employee is not  
9 required to affirmatively contract for and consent to participation  
10 in a plan under this section.

11 (c) An employee participating in a deferred compensation  
12 plan under this section makes a contribution of three percent of the  
13 compensation earned by the employee to a default investment product  
14 selected by the plan administrator based on the criteria  
15 established under Section 609.113 and the rules adopted under  
16 Subsection (f). The contribution is made by automatic payroll  
17 deduction.

18 (d) At any time, an employee participating in a deferred  
19 compensation plan under this section may, in accordance with rules  
20 adopted by the board of the hospital district, or its designee,  
21 elect to end participation in the plan, to contribute to a different  
22 investment product, to contribute a different amount to the plan,  
23 or to designate all or a portion of the employee's contribution as a  
24 Roth contribution subject to the availability of a Roth  
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26 (e) A hospital district to which this subchapter applies  
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1 informed of:

2 (1) the elections the employee may make under this  
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4 (2) the responsibilities of the employee under Section  
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6 (f) The board of the hospital district, or its designee,  
7 shall adopt rules to implement the requirements of this section.  
8 The rules must ensure that the operation of a deferred compensation  
9 plan under this section conforms to the applicable requirements of  
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11 qualified default investment alternatives or otherwise governs  
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14 occurred before the effective date of this Act are validated as if  
15 the acts had occurred as authorized by law.

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17 law of this state at the time the act occurred, was a misdemeanor or  
18 felony.

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20 a vote of two-thirds of all the members elected to each house, as  
21 provided by Section 39, Article III, Texas Constitution. If this  
22 Act does not receive the vote necessary for immediate effect, this  
23 Act takes effect September 1, 2019.

**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**May 20, 2019**

**TO:** Honorable Dennis Bonnen, Speaker of the House, House of Representatives

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE: HB2477** by Coleman (Relating to automatic employee participation in and administration of a deferred compensation plan provided by certain hospital districts.), **As Passed 2nd House**

**No fiscal implication to the State is anticipated.**

The bill would amend the Government Code to authorize certain hospital districts to offer a deferred compensation plan that would include provisions for the automatic enrollment of new employees unless the employee affirmatively elects not to participate.

**Local Government Impact**

While hospital districts electing to automatically enroll new employees in a deferred compensation plan could have additional marginal costs due to an expected increase in enrollment, no significant fiscal implication to these districts is anticipated.

**Source Agencies:**

**LBB Staff:** WP, AF, SD, GP, CMA

**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**May 2, 2019**

**TO:** Honorable Eddie Lucio, Jr., Chair, Senate Committee on Intergovernmental Relations

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE:** **HB2477** by Coleman (Relating to automatic employee participation in and administration of a deferred compensation plan provided by certain hospital districts.), **Committee Report 2nd House, Substituted**

<b>No fiscal implication to the State is anticipated.</b>
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**Local Government Impact**

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**Source Agencies:**

**LBB Staff:** WP, AF, SD, GP, CMa

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**April 26, 2019**

**TO:** Honorable Eddie Lucio, Jr., Chair, Senate Committee on Intergovernmental Relations

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE:** HB2477 by Coleman (Relating to automatic employee participation in and administration of a deferred compensation plan provided by certain hospital districts.), **As Engrossed**

**No fiscal implication to the State is anticipated.**

The bill would amend the Government Code to authorize certain hospital districts to offer a deferred compensation plan that would include provisions for the automatic enrollment of new employees unless the employee affirmatively elects not to participate.

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**Source Agencies:**

**LBB Staff:** WP, AF, SD, GP, CMa

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**March 13, 2019**

**TO:** Honorable Garnet Coleman, Chair, House Committee on County Affairs

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE: HB2477** by Coleman (Relating to automatic employee participation in and administration of a deferred compensation plan provided by certain hospital districts.), **As Introduced**

**No fiscal implication to the State is anticipated.**

The bill would amend the Government Code to authorize certain hospital districts to offer a deferred compensation plan that would include provisions for the automatic enrollment of new employees unless the employee affirmatively elects not to participate.

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**LBB Staff:** WP, AF, SD, GP, CMa