

**House Bill 2477**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

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

(b) An employee automatically participates in a deferred compensation plan provided by the hospital district unless the employee affirmatively elects not to participate in the plan. Notwithstanding Sections 609.007(a) and (c), an

SENATE VERSION (CS)

SECTION 1. Same as House version.

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

(b) An employee automatically participates in a deferred compensation plan provided by the hospital district unless the employee affirmatively elects not to participate in the plan. Notwithstanding Sections 609.007(a) and (c), an

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employee is not required to affirmatively contract for and consent to participation in a plan under this section.

(c) An employee participating in a deferred compensation plan under this section 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 the criteria established under Section 609.113 and the rules adopted under Subsection (f). The contribution is made by automatic payroll deduction.

(d) At any time, an employee participating in a deferred compensation plan under this section may, in accordance with rules adopted by the board of the hospital district, 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.

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

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

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

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

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employee is not required to affirmatively contract for and consent to participation in a plan under this section.

(c) An employee participating in a deferred compensation plan under this section 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 the criteria established under Section 609.113 and the rules adopted under Subsection (f). The contribution is made by automatic payroll deduction.

(d) At any time, an employee participating in a deferred compensation plan under this section may, in accordance with rules adopted by the board of the hospital district, or its designee, 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.

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

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

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

(f) The board of the hospital district, or its designee, shall adopt rules to implement the requirements of this section. The rules must ensure that the operation of a deferred compensation plan under this section conforms to the applicable requirements of any federal rule that provides fiduciary relief for investments in qualified default investment alternatives or otherwise governs default

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

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

Sec. 609.203. DISCRETIONARY TRANSFER. (a) A hospital district may 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.

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

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

(1) states the reason for the transfer; and

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

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investment alternatives under participant-directed individual account plans.

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

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

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

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

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

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

(2) other matters related to the proper performance of the contract.

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

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

SECTION 4. (a) Except as provided by Subsection (b) of this section, the 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

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

(2) other matters related to the proper performance of the contract.

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

SECTION 3. Same as House version.

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deferred compensation plans provided by the district to the district's employees and that occurred before the effective date of this Act are validated as if the acts had occurred as authorized by law.

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

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

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SECTION 5. Same as House version.

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