

By: Menéndez

S.B. No. 1537

A BILL TO BE ENTITLED

AN ACT

relating to the creation of a state-administered retirement plan;  
authorizing administrative penalties.

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

SECTION 1. Subtitle D, Title 2, Labor Code, is amended by  
adding Chapter 83 to read as follows:

CHAPTER 83. SECURE RETIREMENT SAVINGS PROGRAM OF TEXAS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 83.001. DEFINITIONS. In this chapter:

(1) "Annuity" means a fixed sum of money paid on a  
monthly basis to a participant on retirement.

(2) "Board" means the board of trustees established  
under Section 83.002.

(3) "Compensation," unless the context otherwise  
requires, means compensation within the meaning of Section  
219(f)(1), Internal Revenue Code, that is received by an eligible  
employee from an eligible employer.

(4) "Contribution rate" means the percentage of an  
eligible employee's compensation that is withheld from their  
compensation and paid to the employee's individual retirement  
account under the program.

(5) "Eligible employee" means any individual who is 18  
years of age or older, who is employed by an eligible employer, and  
whose compensation is subject to federal income taxes.

1           (6) "Eligible employer" means an employer that:

2                   (A) has not been a participating or contributing  
3 employer in a retirement plan under Section 401(a), 401(k), 403(a),  
4 403(b), 408(k), or 408(p), Internal Revenue Code, at any time  
5 during the preceding two calendar years; or

6                   (B) elects to be a participating employer as  
7 permitted in accordance with rules and procedures established by  
8 the board.

9           (7) "Employer":

10                   (A) means a person that:

11                           (i) is engaged in a business, profession,  
12 trade, or other enterprise in this state, whether for profit or not  
13 for profit, that employs two or more individuals living in this  
14 state; or

15                           (ii) for the purpose of this chapter only,  
16 issues an Internal Revenue Service Form 1099-Miscellaneous Income  
17 to five or more individuals living in this state; and

18                   (B) does not include a federal or state entity,  
19 agency, instrumentality, or political subdivision.

20           (8) "Individual retirement account" means an  
21 individual retirement account or individual retirement annuity as  
22 defined by Section 408, Internal Revenue Code, or a Roth IRA as  
23 defined by Section 408A, Internal Revenue Code.

24           (9) "Internal Revenue Code" means the Internal Revenue  
25 Code of 1986.

26           (10) "IRA plan" means a plan described by Section  
27 83.059(b)(1).

1           (11) "IRA trust account" means the IRA plan's account  
2 within the trust fund established under Section 83.059.

3           (12) "Multiple-employer plan" means a plan described  
4 by Section 83.059(b)(2).

5           (13) "Multiple-employer plan account" means a  
6 participant's account that accepts contributions from the  
7 participant, the participant's employer, or both and that is  
8 established under Sections 401(a) and 414(f), Internal Revenue  
9 Code.

10           (14) "Multiple-employer trust account" means the  
11 multiple-employer plan account within the trust fund established  
12 under Section 83.059.

13           (15) "Participant" means an individual who  
14 contributes or has contributed through payroll deductions or  
15 through voluntary contributions to the program and includes:

16                   (A) an individual who moves out of state and  
17 elects to continue participating in the program by making direct  
18 contributions; and

19                   (B) the beneficiary of a deceased individual who  
20 contributed to the program and an alternate payee under state law  
21 for purposes of the withdrawal, transfer, rollover, or other  
22 distribution of savings.

23           (16) "Participating employer" means an eligible  
24 employer that provides a payroll deposit retirement savings  
25 arrangement under this chapter for an eligible employee.

26           (17) "Payroll" means any method of transferring  
27 compensation to an employee of an employer.

1           (18) "Program" means the secure retirement savings  
2 program established by this chapter.

3           Sec. 83.002. BOARD OF TRUSTEES. (a) The board of trustees  
4 is composed of five trustees as follows:

5           (1) the comptroller, or a designee, who serves as  
6 chair;

7           (2) a participating employer, appointed by the  
8 governor;

9           (3) a participant, appointed by the speaker of the  
10 house of representatives;

11           (4) a resident of this state with expertise in  
12 regulatory matters relating to retirement savings, appointed by the  
13 chief justice of the supreme court; and

14           (5) a resident of this state with expertise in  
15 investment matters relating to retirement savings, appointed by the  
16 attorney general.

17           (b) Appointments to the board are subject to the advice and  
18 consent of the senate.

19           (c) The term of office for each trustee is two years.

20           (d) In the event of a trustee vacancy, the appointing  
21 official shall appoint a replacement to serve for the trustee's  
22 unexpired term.

23           (e) A majority of the board constitutes a quorum for the  
24 transaction of business.

25           (f) A trustee serves without compensation but is entitled to  
26 receive reimbursement of travel expenses incurred by the trustee  
27 while conducting the business of the board as provided in the

1 General Appropriations Act.

2 Sec. 83.003. BOARD POWERS AND DUTIES; ANNUAL FINANCIAL  
3 REPORT REQUIRED. (a) The board shall:

4 (1) design, establish, administer, and enforce the  
5 program in accordance with Subchapter B;

6 (2) employ a program director and other individuals as  
7 the board considers necessary to administer the program and the  
8 administrative fund;

9 (3) adopt administrative rules and procedures,  
10 including contested case and enforcement provisions, to carry out  
11 the purposes of this chapter;

12 (4) enter into contracts necessary or recommended to  
13 administer the program;

14 (5) request and receive information from any state  
15 agency or entity as needed to administer the program;

16 (6) request and receive information from employers of  
17 eligible employees residing in this state as needed to administer  
18 the program;

19 (7) annually publish an audited financial report on  
20 the operations of the program in accordance with Subsection (b);  
21 and

22 (8) annually prepare and adopt a written statement of  
23 investment policy that includes a risk management and oversight  
24 program.

25 (b) The audited financial report required by Subsection  
26 (a)(7) must be prepared in accordance with generally accepted  
27 accounting principles. The audited financial report must include a

1 calculation of the program's actual net rate of return less  
2 expenses. The audit must:

3 (1) be conducted by an independent certified public  
4 accountant; and

5 (2) include direct and indirect costs attributable to  
6 the use of outside consultants, independent contractors, and any  
7 other persons who are not employees of the program.

8 Sec. 83.004. FIDUCIARY DUTIES. (a) The board and each  
9 investment adviser or other person who has control over the assets  
10 of the trust funds established under this chapter are fiduciaries  
11 and subject to the fiduciary standards established under the  
12 Employee Retirement Income Security Act of 1974 (29 U.S.C. Section  
13 1001 et seq.) with respect to the trust funds and the individual  
14 accounts.

15 (b) Each fiduciary shall discharge duties with respect to  
16 the program solely in the interest of the participants and with the  
17 care, skill, prudence, and diligence under the circumstances then  
18 prevailing that a prudent person acting in a like capacity and  
19 familiar with those matters would use in the conduct of the same or  
20 similar enterprise.

21 (c) The board may require each eligible employer to provide  
22 eligible employees with certain information as the board directs.  
23 An employer acting in that capacity:

24 (1) is not a fiduciary with respect to the trust funds  
25 established under this chapter or the participants' accounts within  
26 a trust fund; and

27 (2) does not have fiduciary duties under this chapter.

1       Sec. 83.005. IMMUNITY FROM LIABILITY. (a) The board,  
2 executive director, plan administrator, members of any advisory  
3 committee appointed by the board, and employees of the program are  
4 not liable for any action taken or omission made or suffered by them  
5 in good faith in the performance of any duty in connection with any  
6 program or trust administered under this chapter.

7       (b) This section does not waive the state's immunity from  
8 suit or liability.

9               SUBCHAPTER B. PROGRAM DESIGN AND OPERATION

10       Sec. 83.051. PROGRAM DESIGN. (a) The board shall design  
11 and implement the secure retirement savings program. The board  
12 shall design, establish, and administer the program in accordance  
13 with this subchapter.

14       (b) The board shall require an eligible employer to offer to  
15 each eligible employee an opportunity to contribute through payroll  
16 deduction to:

17               (1) an individual retirement account in the IRA plan;  
18 and

19               (2) a savings account in the multiple-employer plan.

20       (c) Unless an eligible employee chooses otherwise, the  
21 board shall automatically enroll the employee in the IRA plan.

22       (d) A participant is not responsible for choosing  
23 investments in the program.

24       (e) The board shall allow the following persons to enroll in  
25 the program:

26               (1) self-employed individuals; and

27               (2) employers who are not eligible employers.

1       (f) The board shall operate the program in a manner that  
2 prevents the program from being considered an employee pension  
3 benefit plan as defined by Section 3(2)(A), Employee Retirement  
4 Income Security Act of 1974 (29 U.S.C. Section 1002(2)(A)).

5       Sec. 83.052. PARTICIPANT BENEFIT. (a) A participant's  
6 retirement savings benefit is calculated from the participant's  
7 plan account balance on the date the retirement savings benefit  
8 becomes payable.

9       (b) The board shall establish the minimum savings  
10 requirement to create an adequate lifetime annuity.

11       (c) The board may establish benefits other than a lifetime  
12 annuity when the minimum savings requirement is not met.

13       (d) For a married participant, the automatic form of benefit  
14 payment is a joint and survivor annuity.

15       Sec. 83.053. PARTICIPANT CONTRIBUTIONS. (a) The  
16 employee's employer shall deduct contributions from the employee's  
17 compensation at a rate set by the board, unless the employee elects  
18 not to contribute or to contribute at a higher rate.

19       (b) The board shall set the default contribution rate of at  
20 least three percent of an eligible employee's gross income.  
21 Subject to Subsection (c), the board may increase the default  
22 contribution rate of each IRA plan participant in an amount and at  
23 intervals determined by the board.

24       (c) An IRA plan participant may opt out of increases  
25 determined by the board.

26       Sec. 83.054. PARTICIPATING EMPLOYER POWERS AND DUTIES. (a)  
27 A participating employer shall:



1           (1) make the program available to an eligible employee  
2 not later than the 15th day after the date the employee begins  
3 employment; and

4           (2) deposit a participant's deduction in a manner  
5 determined by the board, provided that the employer delivers the  
6 amount withheld in a reasonable time period and not later than the  
7 10th business day after the date the amount otherwise would have  
8 been paid to the participant.

9           (b) A participating employer may not contribute to the IRA  
10 plan.

11           (c) A participating employer may:

12           (1) make voluntary contributions to a participating  
13 employee's multiple-employer plan account in the manner  
14 established by the board; and

15           (2) elect to contribute an amount above the payroll  
16 deduction amount by contributing from an eligible rollover that an  
17 individual retirement account or Roth IRA may accept under the  
18 Internal Revenue Code.

19           (d) Participating employer contributions under Subsection  
20 (c) must be equal to or less than the applicable limitation to  
21 contributions to a defined contribution plan prescribed by Section  
22 415(c), Internal Revenue Code.

23           Sec. 83.055. VESTING. Contributions to a participant's  
24 account vest immediately with the participant.

25           Sec. 83.056. ADMINISTRATIVE FEES AND INVESTMENT EXPENSES.

26           (a) The board shall allocate administrative fees and investment  
27 expenses to each participant's account balance or annuity on a pro

1 rata basis or another basis as the board determines fair and  
2 equitable.

3 (b) The board shall keep the program's administrative fees  
4 and investment expenses as low as possible, and the fees and  
5 expenses combined may not exceed 0.25 percent of the total balance  
6 of the trust funds established under this chapter.

7 Sec. 83.057. REQUIRED DISCLOSURES. (a) The board shall  
8 design and disseminate to participating employers an employee  
9 information packet to be further distributed to the employer's  
10 employees. The packet must include background information on the  
11 program, the two plans offered under the program, and appropriate  
12 disclosures for employees with regard to a lifetime annuity.

13 (b) The disclosure form must:

14 (1) include information about:

15 (A) federal income tax and retirement benefits  
16 and investment risks associated with participating in the plans;

17 (B) how to join each plan;

18 (C) how to opt out of the IRA plan, including an  
19 opt-out form;

20 (D) how to apply for payment of retirement  
21 benefits; and

22 (E) how to obtain additional information on the  
23 program; and

24 (2) clearly state that:

25 (A) the program is not an employer-sponsored  
26 retirement plan;

27 (B) an employer is not liable for an employee's

1 decision under this chapter; and

2 (C) plan investments are not guaranteed by the  
3 state.

4 (c) The board shall provide the required disclosures in  
5 English. An employer may notify the board of an eligible employee  
6 who speaks a language other than English, and the board shall  
7 provide a translation of the required disclosures in the eligible  
8 employee's language to the employer to distribute to the employee.

9 Sec. 83.058. SECURE RETIREMENT SAVINGS PROGRAM  
10 ADMINISTRATIVE FUND. (a) The secure retirement savings program  
11 administrative fund is established as a trust fund held outside the  
12 treasury by the comptroller and administered by the board. The  
13 board shall use money in the administrative fund to pay for  
14 administrative and investment expenses the board incurs in the  
15 performance of the board's duties under this chapter.

16 (b) The administrative fund is separate from the trust fund  
17 established under Section 83.059.

18 (c) The administrative fund may receive gifts, grants, or  
19 other money deposited to the administrative fund, including money  
20 received from a governmental entity.

21 (d) The legislature may appropriate money to the fund for  
22 the initial administrative costs required to establish the program.  
23 The board shall repay to the state any amount appropriated under  
24 this subsection.

25 Sec. 83.059. SECURE RETIREMENT SAVINGS PROGRAM TRUST FUND.  
26 (a) The secure retirement savings program trust fund is  
27 established as a trust fund held outside the treasury by the

1 comptroller and administered by the board. The board shall:

2 (1) invest the trust fund assets as a pooled single  
3 fund without distinction as to their source;

4 (2) hold the trust fund assets collectively for the  
5 proportionate benefit of the participants; and

6 (3) use the trust fund assets to defray reasonable  
7 expenses of administering, maintaining, and managing investments  
8 of the trust.

9 (b) The trust fund is intended to provide participants with  
10 a source of retirement income for life. The trust fund holds  
11 separate accounts for each plan within the program as follows:

12 (1) the IRA trust account is established to accept  
13 individual contributions into individual retirement accounts  
14 established under Sections 408 and 408A, Internal Revenue Code, in  
15 an IRA plan established by the board; and

16 (2) the multiple-employer trust account is  
17 established for purposes of administering a defined contribution  
18 plan under Sections 401(a)(27) and 414(i), Internal Revenue Code,  
19 that:

20 (A) is a qualified plan under Section 401(a),  
21 Internal Revenue Code; and

22 (B) may accept contributions from an employer and  
23 employee participating in the multiple-employer plan established  
24 by the board.

25 (c) The board shall establish investments within the trust  
26 fund that pursue an investment strategy set by the board. The  
27 underlying investments of the trust fund must be diversified so as

1 to maintain an overall rate of return that is reflective of a medium  
2 level of risk, as determined by the board.

3 (d) Subject to Subsection (e), money in the trust accounts  
4 may be invested or reinvested by the comptroller or may be invested  
5 wholly or partly under contract with other retirement systems,  
6 private money managers, or both, as determined by the board.

7 (e) The board shall preserve, invest, and expend the assets  
8 of the trust fund at all times solely for the benefit of  
9 participants.

10 (f) The state or an eligible employer has no property rights  
11 in the trust fund.

12 (g) The state may not transfer or use trust fund assets for  
13 any purpose other than the purpose of the trust fund or funding the  
14 expenses of operating the program. Amounts deposited in the trust  
15 fund are not property of the state and may not be commingled with  
16 state money. The state has no claim to or against, or interest in,  
17 the trust fund assets.

18 (h) The trust fund assets must at all times be held separate  
19 and apart from the assets of the state. The state, the program, the  
20 board, a board member, or an employer may not make a representation  
21 of a guaranty on any investment, rate of return, or interest rate on  
22 amounts held in the trust fund.

23 SUBCHAPTER C. ENFORCEMENT

24 Sec. 83.101. ATTORNEY GENERAL. (a) The attorney general is  
25 the legal adviser to the board and shall represent the board in all  
26 litigation.

27 (b) The attorney general may enforce the provisions of this

1 chapter.

2 Sec. 83.102. ADMINISTRATIVE PENALTIES. (a) The board may  
3 impose an administrative penalty on a participating employer for  
4 failure to comply with the requirements under this chapter or a rule  
5 or order adopted under this chapter. The amount of the penalty may  
6 not exceed \$1,000 per employee per year.

7 (b) The amount of an administrative penalty must be based  
8 on:

9 (1) the seriousness of the violation, including the  
10 nature, circumstances, extent, and gravity of the violation;

11 (2) the economic harm caused by the violation;

12 (3) the history of previous violations;

13 (4) the amount necessary to deter a future violation;

14 (5) efforts to correct the violation; and

15 (6) any other matter that justice may require.

16 (c) The enforcement of the penalty may be stayed during the  
17 time the order is under judicial review if the participating  
18 employer pays the penalty to the clerk of the court or files a  
19 supersedeas bond with the court in the amount of the penalty. A  
20 participating employer who cannot afford to pay the penalty or file  
21 the bond may stay the enforcement by filing an affidavit in the  
22 manner required by the Texas Rules of Civil Procedure for a party  
23 who cannot afford to file security for costs, subject to the right  
24 of the board to contest the affidavit as provided by those rules.

25 (d) The board or the attorney general may recover reasonable  
26 expenses, including attorney's fees, incurred in recovering the  
27 administrative penalty.

1       (e) Except as provided by Subsection (g), an administrative  
2 penalty collected under this section shall be deposited to the  
3 credit of the secure retirement savings program trust fund  
4 established under Section 83.059.

5       (f) In addition to the penalty prescribed by Subsection (a),  
6 the board may impose an administrative penalty on a participating  
7 employer that does not deposit a participant's deduction within the  
8 time required by Section 83.054. The amount of the penalty is equal  
9 to the lost earnings and interest on the participant's  
10 contribution. The comptroller shall prescribe a methodology for  
11 calculating the lost earnings and interest.

12       (g) An administrative penalty collected under Subsection  
13 (f) shall be deposited to the credit of the secure retirement  
14 savings program trust fund established under Section 83.059 and  
15 credited to the accounts of the affected participants on a pro rata  
16 basis.

17                   SUBCHAPTER D. UNCLAIMED PROPERTY

18       Sec. 83.151. UNCLAIMED PROPERTY. (a) Subject to this  
19 section, the board shall adopt rules regarding the disposition of  
20 unclaimed proceeds from a participant's account.

21       (b) The board shall, using due diligence, contact the  
22 participant or the participant's beneficiaries.

23       (c) Unclaimed proceeds of an account must be delivered to  
24 the comptroller as provided by Chapter 74, Property Code, except if  
25 the participant's or beneficiary's last known address is in this  
26 state, the comptroller may elect to leave the proceeds deposited in  
27 the fund under the program until a claim is made.

1           SECTION 2. (a) Not later than December 1, 2021, the state  
2 officials described by Section 83.002, Labor Code, as added by this  
3 Act, shall appoint individuals to the board of trustees as required  
4 by that section.

5           (b) The board of trustees of the secure retirement savings  
6 program established under Chapter 83, Labor Code, as added by this  
7 Act, shall:

8                   (1) not later than September 1, 2022, design and  
9 establish the secure retirement savings program required under  
10 Chapter 83, Labor Code, as added by this Act, including  
11 establishing and opening up for enrollment the IRA plan described  
12 by Section 83.059(b)(1), Labor Code, as added by this Act;

13                   (2) not later than December 1, 2022, allow eligible  
14 employers, as defined by Section 83.001, Labor Code, as added by  
15 this Act, with more than 100 eligible employees, as defined by  
16 Section 83.001, Labor Code, as added by this Act, to implement a  
17 board-approved procedure that allows each of its eligible employees  
18 to participate in the plan;

19                   (3) not later than March 1, 2023, allow eligible  
20 employers with more than 50 eligible employees to implement a  
21 board-approved procedure that allows each of its eligible employees  
22 to participate in the plan; and

23                   (4) not later than June 1, 2023, allow all eligible  
24 employers and other employers permitted to participate in the  
25 program under Section 83.051(e), Labor Code, as added by this Act,  
26 to implement a board-approved procedure that allows each of its  
27 eligible employees to participate in the plan.



1 SECTION 3. This Act takes effect September 1, 2021.