HOUSE RESEARCH ORGANIZATION bill analysis	5/20/97	SB 1460 Armbrister (Telford)

SUBJECT: Excess benefit plans for Optional Retirement Program members

COMMITTEE: Pensions and Investments — favorable, without amendment

VOTE: 5 ayes — Telford, Woolley, Serna, Tillery, Williams

0 nays

4 absent — Berlanga, Goolsby, Rangel, Sadler

SENATE VOTE: On final passage, April 24 — 30-0

WITNESSES: For — None

Against — None

On — David Lacy, University of Texas System

BACKGROUND: The Optional Retirement Program (ORP) is a defined-contribution retirement plan for faculty and administrators of public institutions of higher education. ORP is supported through state and employee contributions. ORP members contribute 6.65 percent of salary; the state contribution varies between 6 percent and 8.5 percent, depending on when the the member first started work and the employing institution. Members vest in one year and are permitted to take both the state and their own contributions when leaving state employment.

Tax-sheltered contributions to the ORP have been limited to $30,000 under the Internal Revenue Code's provisions relating to 403B plans. In August 1996, Congress exempted governmental 403B plans from the $30,000 limit by creating “qualified governmental excess benefit arrangements” when it enacted the Small Business Job Protection Act.

DIGEST: CSSB 1460 would allow the governing body of institutions of higher education to create qualified governmental excess benefit plans authorized by Sec. 415(m) of the Internal Revenue Code for certain ORP members.

The bill would take immediate effect if finally approved by a two-thirds record vote of the membership in each house.

SUPPORTERS SAY:

SB 1460 would allow institutions of higher education in Texas to take advantage of new federal laws permitting excess benefit plans. The bill would affect ORP members making more than $198,000 per year — primarily physicians at the state medical schools, a few university presidents and university system chancellors. By allowing the full amount of deferred contributions to be made to retirement plans for these members, the bill would provide Texas colleges and universities with another tool for retaining qualified personnel. Members could defer a higher percentage of their salary to their retirement plans if they wished, an attractive benefit option. The bill would not increase the state's contribution to the member's account; any additional funding from an institution that chose to implement such a plan would be minimal.

OPPONENTS SAY:

No apparent opposition.