

SUBJECT: Transfer of 457 plan assets from ERS to higher education institutions

COMMITTEE: Pensions and Investments — committee substitute recommended

VOTE: 5 ayes — Truitt, McClendon, Burnam, Keffer, Macias

0 nays

2 absent — Villarreal, Rodriguez

WITNESSES: For — None

Against — None

On — Robert Kukla, ERS; Dan Stewart, UT System

BACKGROUND: The Employees Retirement System (ERS) administers two tax-deferred savings plans as employee benefits. As part of the TexaSaver program, state employees can choose to participate in a 401(k) plan, a Section 457 plan, or both. Plan contributions are made through payroll deductions.

In 2003, the 78th Legislature authorized institutions of higher education to offer 457 plans as an employee benefit.

DIGEST: CSHB 3322 would direct the ERS board of trustees to allow funds from its 457 plan to be transferred to the 457 plan of a higher education institution for employees of the institution who are participating in or eligible to participate in that institution's 457 plan. All fiduciary responsibilities related to plan management would also be transferred.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007.

SUPPORTERS SAY: CSHB 3322 would speed up the transfer of funds from the ERS 457 plan to a new 457 plan that the UT System began offering its employees in August 2004. Prior to this, the ERS 457 plan was the only option offered to higher education employees, and about 2,600 of them chose to

participate. The new UT system plan offers a number of advantages over the ERS plan, but individual employees cannot transfer their funds from one plan to another without tax penalties or severing employment.

CSHB 3322 would authorize a plan-to-plan transfer of assets for all UT System employees who previously participated in the ERS plan so that these employees would have all of their 457 assets in the UT System plan.

OPPONENTS
SAY:

No apparent opposition.

NOTES:

The committee substitute changed the filed version of the bill into a Legislative Council draft.