

BILL ANALYSIS

Senate Research Center
76R13223 GCH-D

S.B. 1179
By: Wentworth
State Affairs
4/23/1999
Committee Report (Substituted)

DIGEST

Currently, state workers must participate in the Employees Retirement System of Texas (ERS). An employee contributes a specified amount per year to the defined benefit plan with benefits based on a formula. No retirement plan alternatives are available to the employee. C.S.S.B. 1179 would offer a state employee, eligible to participate in ERS, an optional defined contribution retirement plan.

PURPOSE

As proposed, C.S.S.B. 1179 authorizes an optional plan for state retirees.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the Employees Retirement System in SECTION 1 (Section 820.013, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Title 8B, Government Code, by adding Chapter 820, as follows:

CHAPTER 820. OPTIONAL DEFINED CONTRIBUTION PLAN

Sec. 820.001. DEFINITIONS. Defines “optional defined contribution plan” and “qualified plan.”

Sec. 820.002. ESTABLISHMENT OF PLAN. Requires the Employees Retirement System of Texas (ERS) to establish and administer an optional defined contribution plan for certain persons who may elect to pay contributions to the optional plan to purchase certain investment products authorized in this state and selected by ERS. Requires ERS to adopt rules for the selection of companies that provide for the selection of certain investment vendors, and to select the vendor every two years. Exempts a provider of investment products from paying franchise or premium taxes on products issued under the optional plan.

Sec. 820.003. ELIGIBILITY AND ELECTION TO PARTICIPATE IN PLAN. Makes eligible a person included in the coverage of ERS to participate in the optional plan, unless the person is participating in the optional retirement program under Chapter 830. Provides that participation in the optional plan is an alternative to participating as a contributing member of the retirement system for the same period. Authorizes a person to elect for the optional plan within a certain time from when the person begins service in a position included in the retirement system. Requires the person to elect for the plan on a certain form. Provides that election made not according to this subsection be considered as if the person began or continues active membership in the retirement system. Provides that an election is irrevocable, except as provided by Section 820.007.

Sec. 820.004. EFFECT OF EMPLOYMENT CHANGES. Provides that a person continues to participate in the optional plan if the person changes employment to a position included in the coverage of ERS.

Sec. 820.005. WITHDRAWAL OF RETIREMENT SYSTEM CONTRIBUTIONS. Authorizes a person to withdraw from the optional plan accumulated contributions from ERS as provided by Chapter 812B.

Sec. 820.006. VESTING OF BENEFITS; TERMINATION OF PARTICIPATION. Vests benefits of the optional plan in a participant on a certain anniversary date. Sets forth conditions from which a person terminates participation in the optional plan. Makes available the benefits of an annuity purchased under the optional plan within certain dates.

Sec. 820.007. RESUMPTION OF RETIREMENT SYSTEM MEMBERSHIP. Makes a person who participated in the optional plan ineligible from resuming active membership in ERS unless the person terminates participation under Section 820.006 and assumes or resumes a position included in the coverage of ERS. Establishes that a person who resumes their ERS position becomes an active member of the system unless the member elects to resume participation in the optional plan.

Sec. 820.008. CREDITABLE SERVICE. Prohibits a member from establishing credit in ERS for service performed during the period the person was participating in the optional defined contribution plan.

Sec. 820.009. INVESTMENT ADVISORY FEES. Permits a participant in the optional plan to authorize the payment of investment advisory fees from the amount in the participant's custodial account or annuity under certain circumstances. Requires the executive director of ERS to request an official determination from the Internal Revenue Service regarding the legality of payment of advisory fees as prescribed by this section, and to notify the secretary of state's office of the determination.

Sec. 820.010. CONTRIBUTIONS. Requires participants in the optional plan, including the state and an individual, to make contributions to the optional plan at the same rate required for contributions to ERS. Requires participant contributions to be made as provided by Section 815.402 and state contributions to be made as provided by Section 815.403.

Sec. 820.011. EXCESS BENEFIT ARRANGEMENT. Authorizes ERS to provide certain governmental excess benefit arrangements for the purpose of providing to participants in the optional plan any portion of a participant's benefits that would otherwise be payable.

Sec. 820.012. ENROLLMENT AND ANNUAL FEE; ACCOUNT. Requires a person who participates in the optional defined contribution plan to pay an enrollment fee of \$15 and an annual administrative fee of \$10 accompanied by a certain form. Requires the fees to be deposited to the credit of the ERS optional defined contribution account in the general revenue fund and may be appropriated only to the retirement system for administration of this chapter.

Sec. 820.013. RULES. Authorizes ERS to adopt rules necessary to administer this chapter.

SECTION 2. Amends Section 812.101(a), Government Code, to authorize a member of ERS to withdraw the accumulated contributions if the member is participating in the optional plan under Chapter 820.

SECTION 3. Amends Sections 815.403(b), (d), and (e), Government Code, to require ERS to certify to the Legislative Budget Board and to the budget division of the governor's office for review of an estimate of the amount necessary to pay the state's contribution under Section 820.010(a). Exempts money used for the payment of the state's contribution under Section 820.010(a) from payment to the state accumulation fund. Makes conforming changes.

SECTION 4. (a) Requires ERS to participate in the optional defined plan described by Chapter 820, Government Code, beginning September 1, 2000.

(b) Authorizes a contributing member of ERS on September 1, 2000, to elect to participate in the optional plan not later than November 30, 2000, notwithstanding Section 820.003(c).

(c) Authorizes a contributing member of ERS, during the summer enrollment period in 1999, to pay a preenrollment fee of \$15 and an annual administrative fee of \$10 to cover the first year of participation in the optional plan. Provides that the enrollment fee for a person under Subsection (b) is \$30 and the first year's annual administrative fee is \$20.

SECTION 5. Emergency clause.
Effective date: upon passage.

SUMMARY OF COMMITTEE CHANGES

SECTION 1.

Amends proposed Section 820.009(a), Chapter 820, Title 8B, Government Code, by including additional circumstances under which a participant in the optional plan may authorize the payment of certain fees.

Adds Section 820.012, Government Code, regarding enrollment and annual fees, and redesignates proposed Section 820.012, Government, regarding rules, as Section 820.013, Government Code.

SECTION 4.

Adds Subsection (c) regarding contributions and enrollment fees for persons electing to participate in the optional plan.

SECTION 5.

Adds SECTION 5 regarding the emergency clause and an effective date.