

BILL ANALYSIS

Senate Research Center
76R5067 GCH-D

S.B. 585
By: Nixon
State Affairs
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As Filed

DIGEST

Currently, participants in the Employees Retirement System of Texas (system) are given little flexibility or control over their investments which consist of monthly payroll deductions. Because of a growing interest in alternatives to traditional benefit plans, eight states have enhanced their retirement systems by including a defined contribution plan which allows investment in a personal account throughout an employee's career, and upon retirement the former employee receives a lump sum. Texas statutes contain no self-directed investment option for system members. S.B. 585 would create a self-directed investment option for participants in system.

PURPOSE

As proposed, S.B. 585 creates the optional defined contribution plan for contributing members of the Employees Retirement System of Texas.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the retirement system under SECTION 1 (Section 816.004, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Title 8B, Government Code, by adding Chapter 816, as follows:

CHAPTER 816. OPTIONAL DEFINED CONTRIBUTION PLAN

Sec. 816.001. DEFINITIONS. Defines "optional defined contribution plan" and "qualified plan."

Sec. 816.002. ESTABLISHMENT OF PLAN. Requires the Employees Retirement System (system) to establish and administer an optional defined contribution plan (ODC) which authorizes members to purchase securities under a qualified plan with a portion of their contributions. Provides that a security provider is exempt from certain payments under ODC.

Sec. 816.003. ELECTION TO PARTICIPATE IN PLAN. Authorizes a system member to file an election for participation in ODC. Requires the inclusion of the member's contribution percentage to be used under ODC. Prohibits the required ODC contribution percentage from exceeding 50 percent. Provides that an election is irrevocable except under certain circumstances. Provides that an ODC participant receives benefits in the same manner as other system members, except the benefits will be reduced according to tables adopted under this chapter.

Sec. 816.004. RULES. Authorizes the retirement system to adopt rules for ODC administration, including certain member notification requirements.

Sec. 816.005. WITHDRAWAL OF CONTRIBUTIONS. Authorizes an ODC participant to withdraw plan earned amounts, under certain terms, when the participant ends employment, regardless of retirement.

Sec. 816.006. REDUCTION OF BENEFITS UNDER RETIREMENT SYSTEM. Requires the board of trustees to adopt tables providing for benefit reductions in proportion to ODC participant diverted contributions.

Sec. 816.007. INFORMATION TO MEMBERS. Requires the system to provide ODC information to system contributors. Sets forth requirements for the required information.

SECTION 2. Requires the Employees Retirement System of Texas to implement Chapter 816, Government Code, as added by this Act, and requires the system offer to participation beginning September 1, 2000.

SECTION 3. Emergency clause.
Effective date: 90 days after adjournment.