

## BILL ANALYSIS

Senate Research Center  
80R11092 DLF-D

H.B. 3322  
By: Truitt (Watson)  
State Affairs  
5/9/2007  
Engrossed

### AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The 78<sup>th</sup> Legislature, Regular Session, 2003, authorized an institution of higher education to create and administer a deferred compensation savings plan under Section 457 of the federal Internal Revenue Code of 1986. Under a Section 457 plan, governmental employees are authorized to save for retirement by deferring compensation on a pre-tax basis through payroll deductions.

Acting under the authority granted by the statute, the board of regents of The University of Texas System (UT System) established such a plan for its employees. Prior to that, the only Section 457 plan available to those employees was the TexaSaver Program offered by the Employees Retirement System. An Internal Revenue Service limitation on account transfers prohibits active UT System employees from transferring assets from the TexaSaver Program to the UT System's Section 457 plan before severance from employment. However, federal law authorizes a plan-to-plan transfer of all plan assets from one eligible governmental plan to another within the same state.

H.B. 3322 facilitates the plan-to-plan transfer authorized by federal law such that the assets of the TexaSaver Program that belong to UT System employees are transferred to the UT System's Section 457 plan.

### RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter C, Chapter 609, Government Code, by adding Section 609.515, as follows:

Sec. 609.515. TRANSFER TO 457 PLAN OF INSTITUTION OF HIGHER EDUCATION. (a) Requires the board of trustees of the Employees Retirement System of Texas (board), as authorized by 26 C.F.R. Section 1.457-10(b)(1) and (3), to allow the transfer from its TexaSaver 457 plan to the plan administrator of a Section 457 plan created by an institution of higher education (institution) under Subchapter D (Deferred Compensation Plans for Employees of Institutions of Higher Education) of all deferred amounts and investment income administered by the TexaSaver 457 plan for employees of the institution who are participating in or eligible to participate in the institution's Section 457 plan at the time of the transfer.

(b) Requires the institution to make a request to the board to begin a transfer under this section.

(c) Requires the board and the institution requesting the transfer under this section to cooperate to ensure that the transfer is accomplished as expeditiously as possible.

(d) Provides that, after the transfer, the plan administrator for the Section 457 plan created by an institution is responsible for all fiduciary duties, plan administration duties, and other responsibilities regarding the deferred amounts

and investment income transferred and the board is relieved of all such responsibilities and any other liability regarding the deferred amounts and investment income transferred.

SECTION 2. Effective date: upon passage or September 1, 2007.