

## **BILL ANALYSIS**

Senate Research Center

H.B. 2283  
By: Truitt (Deuell)  
State Affairs  
5/8/2009  
Engrossed

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

The TexaSaver program assists state employees to prepare for their retirement. It is a voluntary, deferred compensation investment plan. The program diverts money from the employee's monthly paycheck and saves it for them in their retirement accounts before income taxes are taken out.

H.B. 2283 authorizes the automatic enrollment of all state employees in TexaSaver at one percent of their salary. The bill also authorizes the state to match employee savings, but does not authorize any funds. Such a matching program could only be funded through appropriations. The bill clarifies that matching funds cannot come from the Employee Retirement System (ERS) fund. There is no automatic escalator in this bill. The bill also allows the ERS board (board) to set up Roth retirement options by rule at the board's discretion.

### **RULEMAKING AUTHORITY**

Rulemaking authority previously granted to the board of trustees of the Employees Retirement System is modified in SECTION 3 (Section 609.5025, Government Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 609.006(a), Government Code, to require a deferred compensation plan to conform to federal law to provide that deferred amounts and investment income are not includable, for federal income tax purposes, in the gross income of a participating employee until distributed to the employee, subject to the employee's option to designate all or a portion of deferred amounts as Roth contributions under Section 609.5021, the federal tax treatment of which is governed by Section 402A (Optional treatment of elective deferrals as Roth contributions), Internal Revenue Code of 1986.

SECTION 2. Amends Subchapter C, Chapter 609, Government Code, by adding Section 609.5021, as follows:

Sec. 609.5021. ROTH CONTRIBUTION PROGRAMS. Authorizes the board of trustees to:

- (1) establish a qualified Roth contribution program in accordance with Section 402A, Internal Revenue Code of 1986, under which an employee is authorized to designate all or a portion of the employee's contribution under a 401(k) plan as a Roth contribution at the time the contribution is made; and
- (2) if authorized by federal law, establish a program in accordance with the applicable federal law under which an employee is authorized to designate all or a portion of the employee's contribution under a 457 plan as a Roth contribution at the time the contribution is made.

SECTION 3. Amends Section 609.5025(d), Government Code, to authorize an employee participating in a 401(k) plan under this section, at any time, in accordance with rules adopted by the board of trustees of the Employees Retirement System (ERS), to elect to end participation in the 401(k) plan, to contribute to a different investment product, to contribute a different amount to the plan, or to designate all or a portion of the employee's contribution as a Roth contribution subject to availability of a Roth contribution program under Section 609.5021.

SECTION 4. Amends Subchapter C, Chapter 609, Government Code, by adding Section 609.5026, as follows:

Sec. 609.5026. STATE MATCHING CONTRIBUTIONS. (a) Authorizes ERS, except as provided by Subsection (b) and subject to a separate legislative appropriation for that purpose, to make matching contributions to a 401(k) plan on behalf of employees participating in the plan solely from, and in an amount specified by, the appropriation.

(b) Authorizes ERS to only make a contribution under this section if the trust fund receives amounts sufficient to cover normal cost, and maintains a funded ratio equal to or greater than 90 percent.

SECTION 5. Effective date: September 1, 2009.