

SUBJECT: Allowing educational institution denial of 403(b) retirement savings plans

COMMITTEE: Pensions and Investments — favorable, without amendment

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

0 nays

2 absent — Villarreal, Rodriguez

WITNESSES: For — Mike Cochran, TCG Consulting, LP; (*Registered, but did not testify*: Jackie Lain, Texas Association of School Boards; Josh Sanderson, Association of Texas Professional Educators)

Against — None

BACKGROUND: V.T.C.S., art. 6228a-5 allows school districts, higher education institutions and certain state agencies to offer 403(b) retirement investment products to their employees as vehicle for voluntary, tax-deferred payroll savings. Employers may reduce the salary of participants and apply the reduction to the purchase of annuities or other investments authorized in Internal Revenue Code, sec. 403(b).

Educational institutions are prohibited from requiring or coercing an employee's attendance at marketing meetings for 403(b) products, granting exclusive access to an employee's financial information to a company or agent offering investment products, or accepting any benefit from a company offering investment products.

DIGEST: HB 2341 would amend V.T.C.S., art. 6228-5, sec. 9 to specify that an educational institution could refuse to offer a 403(b) plan if it were offered by a company that did not comply with the institution's administrative requirements, providing that these administrative requirements were imposed uniformly on all companies offering 403(b) plans and were necessary to comply with employer responsibilities imposed by Internal Revenue Code, sec. 403(b) or related provisions.

The bill would take effect on September 1, 2007.

**SUPPORTERS  
SAY:**

HB 2341 would enable school districts to comply with new federal regulations requiring greater oversight of tax-free retirement investment vehicles known as 403(b) plans. Recent changes in federal law require school districts to have written administrative policies and oversight over every aspect of 403(b) plans. Companies must meet these standards in order to offer 403(b) products to district employees.

HB 2341 would give districts clear authority to deny or discontinue a 403(b) plan that did not meet these written administrative requirements, even if the company qualified for participation in another district. The bill would not restrict competition because all companies would be subject to the same written guidelines.

The bill would allow school districts to continue offering this important tax-free retirement savings option without concern about conflicts between federal and state laws.

**OPPONENTS  
SAY:**

No apparent opposition.