

CHAPTER 888

H.B. No. 874

An Act relating to the purchase of mutual funds for and the administration of deferred compensation plans for public employees.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Section 1, Chapter 197, Acts of the 63rd Legislature, Regular Session, 1973 (Article 6252-3b, Vernon's Texas Civil Statutes), is amended to read as follows:

Sec. 1. The state or any county, city, town, or other political subdivision may, by contract, agree with any employee to defer, in whole or in part, any portion of that employee's compensation and may subsequently, with the consent of the employee, contract for, purchase, or otherwise procure a life insurance, annuity, mutual fund, or other investment contract for the purpose of funding a deferred compensation program for the employee, from any life underwriter duly licensed by this state who represents an insurance company licensed to contract business in this state, any state or national bank domiciled in this state whose deposits are

insured by the Federal Deposit Insurance Corporation, any savings and loan association doing business in this state whose accounts are insured by the Federal Savings and Loan Insurance Corporation, or any credit union doing business in this state whose accounts are insured by the National Credit Union Administration or the Texas Share Guaranty Credit Union or a mutual fund licensed to do business in this state. The amounts which participating employees agree to defer are the only funds a seller of investment products may receive under this program.

SECTION 2. Section 3, Chapter 197, Acts of the 63rd Legislature, Regular Session, 1973 (Article 6252-3b, Vernon's Texas Civil Statutes), is amended to read as follows:

Sec. 3. The administration of the deferred compensation program shall be under the direction of the state comptroller or his designee or the appropriate officer designated by the county, city, town, or other political subdivision. Payroll deductions shall be made, in each instance, by the appropriate payroll officer. The administrator of the deferred compensation program may contract with a private corporation or institution for providing consolidated billing and other administrative services. *The administrator of the deferred compensation program may adopt rules for the administration of the program including, but not limited to, the following purposes:*

- (1) *the selection and regulation of vendors of investment contracts;*
- (2) *the regulation of the practices of agents or salesmen employed by vendors of investment contracts in their dealings with state employees;*
- (3) *the disclosure of information concerning investment contracts; and*
- (4) *the regulation of advertising materials to be used by vendors of investment contracts.*

SECTION 3. Chapter 197, Acts of the 63rd Legislature, Regular Session, 1973 (Article 6252-3b, Vernon's Texas Civil Statutes), is amended by adding Section 3B to read as follows:

Sec. 3B. ADDITIONAL REQUIREMENTS FOR STATE PLANS ONLY. (a) *For investments in a deferred compensation product offered through a plan created under Section 457 of the Internal Revenue Code, the comptroller may not require a seller of investment products to solicit business, place contracts, or otherwise procure deferred compensation agreements with or through particular agents, brokers, or companies. Each state employee shall have the right to designate the agent, broker, or company through which the investment product is purchased. Provided, however, that nothing in this section shall prevent the comptroller from restricting the participation of any agent, broker, or company in the deferred compensation program for good cause.*

(b) *The comptroller, when soliciting bids for the deferred compensation plan authorized under Section 401(k) of the Internal Revenue Code, shall consider bids from companies requiring the use of their own agents to sell their products as well as companies selling their products through a third party administrator or otherwise.*

SECTION 4. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended.

Passed by the House on May 8, 1985, by a non-record vote; House concurred in Senate amendments to H.B. No. 874 on May 26, 1985, by a non-record vote.; passed by the Senate, with amendments, on May 24, 1985, by a viva-voce vote.

Approved: June 15, 1985

Effective: August 26, 1985