An act to amend Sections 24950.5 and 24976 of the Education Code, relating to individual retirement plans, and making an appropriation therefor.

LEGISLATIVE COUNSEL’S DIGEST

AB 2219, as introduced, O’Donnell. State Teachers’ Retirement System: individual retirement plans: administration.

Existing law authorizes the State Teachers’ Retirement System to administer an individual retirement plan described in Section 408A of Title 26 of the United States Code, commonly referred to as a Roth IRA, for the purpose of accepting a rollover from an annuity contract or custodial account offered by the system to the extent the rollover complies with specified federal law. Existing law establishes the Teachers’ Deferred Compensation Fund to serve as the repository of funds received by the system for various deferred compensation plans. Existing law specifies where in the fund certain premium and fee revenues received by the system are to be deposited.

This bill would also authorize the system to administer an individual retirement plan as described in Section 408 of Title 26 of the United States Code. The bill would eliminate the requirement that the administration of these plans be for the purpose of accepting a rollover from an annuity contract or custodial account offered by the system, as described above. The bill would instead specify categories of people for whom the system could provide this service, including certain former eligible employees and their spouses. By providing for additional funds
to be deposited into a continuously appropriated fund, this bill would make an appropriation. The bill would make a conforming change regarding where premium and fee revenues received in this regard are to be deposited.


The people of the State of California do enact as follows:

SECTION 1. Section 24950.5 of the Education Code is amended to read:

24950.5. (a) The system may administer an individual retirement plan as described in Section 408 or 408A of Title 26 of the United States Code for the purpose of accepting a rollover from an annuity contract or custodial account offered by the system pursuant to this chapter to the extent the rollover complies with Title 26 of the United States Code.

eligible employees, former eligible employees who retired from a public retirement system provided through an employer as described in subdivision (a) of Section 24950 or subdivision (a) of Section 24975, former eligible employees who established an account pursuant to Chapter 36 (commencing with Section 24950) or Chapter 37 (commencing with Section 24975), and their spouses.

(b) The system may provide for the administration of the individual retirement plan described in subdivision (a) by a qualified third-party administrator who shall, by agreement with the system, provide custodial, investment, recordkeeping, or administrative services, or any combination thereof.

SEC. 2. Section 24976 of the Education Code is amended to read:

24976. (a) (1) The Teachers’ Deferred Compensation Fund is hereby established to serve as the repository of funds received by the system pursuant to this chapter, Chapter 36 (commencing with Section 24950) or Chapter 39 (commencing with Section 25100).

(2) Except as described in paragraph (7), premium and fee revenues received by the system pursuant to Chapter 36 (commencing with Section 24950), except Section 24950.5, shall be deposited into the 403(b) Services Operating Account within the Teachers’ Deferred Compensation Fund, and shall only be
used to carry out the purposes of that chapter, excluding Section 24950.5.

(3) Premium and fee revenues received by the system pursuant to Section 24950.5 of Chapter 36 shall be deposited into the Roth IRA Operating Account within the Teachers’ Deferred Compensation Fund, and shall only be used to carry out the purposes of that section.

(4) Premium and fee revenues received by the system pursuant to this chapter shall be deposited into the Deferred Compensation Services Operating Account within the Teachers’ Deferred Compensation Fund, and shall only be used to carry out the purposes of this chapter.

(5) Compensation deferrals received by the system pursuant to this chapter shall be deposited into the Deferred Compensation Investment Account within the Teachers’ Deferred Compensation Fund, and shall only be used to carry out the purposes of this chapter.

(6) Fee revenues received by the system pursuant to Chapter 39 (commencing with Section 25100) shall be deposited into the 403(b) Vendor Registry Operating Account within the Teachers’ Deferred Compensation Fund, and shall only be used to carry out the purposes of that chapter.

(7) Fee revenues received by the system pursuant to Sections 24953 and 24977, and any assets in the Teachers’ Retirement Program Development Fund pursuant to Section 22307.5 as of January 1, 2008, shall be deposited into the Deferred Compensation Fund, and shall only be used to carry out the purposes of Sections 24953 and 24977.

(8) Notwithstanding Section 13340 of the Government Code, all moneys in the Teachers’ Deferred Compensation Fund shall be continuously appropriated without regard to fiscal year to carry out the purposes of this chapter, Chapter 36 (commencing with Section 24950), and Chapter 39 (commencing with Section 25100).

(b) With respect to deferred compensation plans administered pursuant to this chapter, and notwithstanding any other provision of law, the system may retain a bank or trust company, or a credit union, to serve as custodian of the moneys of the Teachers’ Deferred Compensation Fund and to provide for safekeeping, recordkeeping, delivery, securities valuation, or investment
performance reporting services, or services in connection with
investment of the Teachers’ Deferred Compensation Fund.

(c) With respect to deferred compensation plans administered
pursuant to this chapter, the Teachers’ Deferred Compensation
Fund shall consist of the following sources and receipts, and
disbursements shall be accounted for as set forth below:

1. Premiums determined by the system and paid by
participating employers and employees for the cost of administering
the deferred compensation plan.

2. Asset management fees as determined by the system assessed
against investment earnings of investment option or of other
investment funds. These fees shall be disclosed to employees
participating in the deferred compensation plan.

3. Compensation deferrals to be paid in monthly installments
by employers sponsoring deferred compensation plans described
in Section 24975 for investment by the system. The moneys shall
be deposited in the investment corpus account within the Teachers’
Deferred Compensation Fund and invested in accordance with the
investment options selected by the participating employee.

4. Disbursements to participating employees shall be paid from
a disbursement account within the Teachers’ Deferred
Compensation Fund in accordance with applicable federal law
pertaining to deferred compensation plans.

5. Income, of whatever nature, earned on the Teachers’
Deferred Compensation Fund shall be credited to the appropriate
account. The accounts of participating employees of the employer
shall be individually posted to reflect amounts of compensation
defered and investment gains and losses. A periodic statement
shall be given to each participating employee.

6. The system shall have exclusive control of the administration
and investment of the Teachers’ Deferred Compensation Fund.

7. All of the system’s costs of administering the deferred
compensation plans pursuant to this chapter shall be recovered
from the employees who participate in the plans or assets of the
Teachers’ Deferred Compensation Fund in a manner acceptable
to the board.