



BILL and Amendment SUMMARY

403b Retirement Plan HF 569

Status of Bill: On House Calendar
Committee: State Government (13-9)
Lead Democrats: Rep Bacon/ Rep Pettengill
Floor Manager: Rep Cohoon
Research Analyst: Brian Guillaume 515-281-5159
brian.guillaume@legis.iowa.gov

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Background

Education related employees in Iowa are currently offered a 403b retirement plan, also called a Tax Sheltered Annuity. The plan has been administered through the Department of Administrative Services (DAS) since January 1, 2010. According to LSA prior to DAS centralization, employers were on average issuing checks to 10 or 20 providers on a monthly basis.

A 403b plan has two different classifications for providers, either a “core” or a “optional” provider. The core providers have limitations of fees; they are reviewed annually, and must meet the state Retirement Investment Club (RIC) investment policies. A request for proposal is issued every six years for core provider. Current core providers include: Horace Mann, Mass Mutual, VALIC, and VOYA.

There are currently five optional providers. These providers are not required to go through the same restrictions that core providers currently have to go through. The five optional providers include: Annuity Investors LIC, EFS Advisors, AXA Equitable, Lincoln Benefit, and Security Benefit.

VOYA currently serves as the programs common remitter. This allows for employers to use a single distribution provider, instead of using each individual employees investment provider.

Of the 332 employers that are utilizing the 403b plan, 19 use both the core and the optional providers; the remaining (313) use just the core.

Summary

The proposal expands the providers eligible to participate in the 403b plan administered by DAS, by requiring the program include any plans for an insurance or investment company that is recommended by a licensed insurance producer, an investment advisor representative, or a registered securities agent.

In order to be considered for inclusion into the program the provider must be registered with the federal securities and exchange commission as well as be filed with and approved by the Insurance Division in the Department of Commerce.

Fiscal Impact

As written HF 569 could increase the fee per employer approximately \$615 according to LSA, funding FTE positions in DAS, currently the fee is \$400 per employer.

Amendment Summary

H-1205 by Pettengill of Benton

Requires the director of DAS to use a common remitter and limits the number of investment companies in the program to no more than 30.

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