

# Senate Study Bill 1257

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
COMMERCE BILL BY  
CHAIRPERSON WARNSTADT)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act concerning tax-sheltered investment contracts and  
2 including an effective date.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
4 TLSB 2154SC 83  
5 ec/rj/5

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1 1 Section 1. Section 260C.14, subsection 9, paragraphs a and  
1 2 b, Code 2009, are amended to read as follows:  
1 3 a. (1) The board may establish a plan, in accordance with  
1 4 section 403(b) of the Internal Revenue Code, as defined in  
1 5 section 422.3, for employees, which plan shall consist of one  
1 6 or more investment contracts, on a group or individual basis,  
1 7 acquired from a company, or a salesperson for that company,  
1 8 that is authorized to do business in this state.  
1 9 (2) The plan shall ensure that local tax-sheltered  
1 10 investment contract providers be employed by companies  
1 11 selected to offer investment contracts within the plan to  
1 12 advise employees concerning the plan. Local tax-sheltered  
1 13 investment contract providers shall consist of individuals,  
1 14 otherwise authorized to offer plans in accordance with section  
1 15 403(b), who provided eligible employees with tax-sheltered  
1 16 investment contracts prior to establishing the plan, are  
1 17 located within the jurisdiction of the applicable community  
1 18 college, and otherwise consent to comply with the requirements  
1 19 of the plan established pursuant to this subsection.  
1 20 b. The selection of investment contracts to be included  
1 21 within the plan established by the board shall be made ~~either~~  
1 22 pursuant to a competitive bidding process conducted by the  
1 23 board, in coordination with employee organizations  
1 24 representing employees eligible to participate in the plan,  
1 25 pursuant to a process whereby no more than five companies  
1 26 authorized to issue investment contracts shall be selected by  
1 27 the applicable employer and no more than three companies  
1 28 authorized to issue investment contracts shall be selected by,  
1 29 and in the sole discretion of, the employee organizations  
1 30 representing the applicable employer's employees, or pursuant  
1 31 to an agreement with the department of administrative services  
1 32 to make available investment contracts included in a deferred  
1 33 compensation or similar plan established by the department  
1 34 pursuant to section 8A.438, which plan meets the requirements  
1 35 of this subsection. The determination of ~~whether~~ how to  
2 1 select investment contracts for the plan ~~pursuant to a~~  
2 2 ~~competitive bidding process or by agreement with the~~  
2 3 ~~department of administrative services~~ shall be made by  
2 4 agreement between the board and the employee organizations  
2 5 representing employees eligible to participate in the plan.  
2 6 Sec. 2. Section 273.3, subsection 14, paragraphs a and b,  
2 7 Code 2009, are amended to read as follows:  
2 8 a. (1) The board may establish a plan, in accordance with  
2 9 section 403(b) of the Internal Revenue Code, as defined in  
2 10 section 422.3, for employees, which plan shall consist of one  
2 11 or more investment contracts, on a group or individual basis,  
2 12 acquired from a company, or a salesperson for that company,  
2 13 that is authorized to do business in this state.  
2 14 (2) The plan shall ensure that local tax-sheltered  
2 15 investment contract providers be employed by companies  
2 16 selected to offer investment contracts within the plan to  
2 17 advise employees concerning the plan. Local tax-sheltered  
2 18 investment contract providers shall consist of individuals.

~~2 19 otherwise authorized to offer plans in accordance with section  
2 20 403(b), who provided eligible employees with tax=sheltered  
2 21 investment contracts prior to establishing the plan, are  
2 22 located within the jurisdiction of the applicable area  
2 23 education agency, and otherwise consent to comply with the  
2 24 requirements of the plan established pursuant to this  
2 25 subsection.~~

~~2 26 b. The selection of investment contracts to be included  
2 27 within the plan established by the board shall be made either  
2 28 pursuant to a competitive bidding process conducted by the  
2 29 board, in coordination with employee organizations  
2 30 representing employees eligible to participate in the plan,  
2 31 pursuant to a process whereby no more than five companies  
2 32 authorized to issue investment contracts shall be selected by  
2 33 the applicable employer and no more than three companies  
2 34 authorized to issue investment contracts shall be selected by,  
2 35 and in the sole discretion of, the employee organizations~~

~~3 1 representing the applicable employer's employees, or pursuant  
3 2 to an agreement with the department of administrative services  
3 3 to make available investment contracts included in a deferred  
3 4 compensation or similar plan established by the department  
3 5 pursuant to section 8A.438, which plan meets the requirements  
3 6 of this subsection. The determination of whether how to  
3 7 select investment contracts for the plan pursuant to a  
3 8 competitive bidding process or by agreement with the  
3 9 department of administrative services shall be made by  
3 10 agreement between the board and the employee organizations  
3 11 representing employees eligible to participate in the plan.~~

~~3 12 Sec. 3. Section 294.16, subsections 1 and 2, Code 2009,  
3 13 are amended to read as follows:~~

~~3 14 1. a. The school district may establish a plan, in  
3 15 accordance with section 403(b) of the Internal Revenue Code,  
3 16 as defined in section 422.3, for employees, which plan shall  
3 17 consist of one or more investment contracts, on a group or  
3 18 individual basis, acquired from a company, or a salesperson  
3 19 for that company, that is authorized to do business in this  
3 20 state.~~

~~3 21 b. The plan shall ensure that local tax=sheltered  
3 22 investment contract providers be employed by companies  
3 23 selected to offer investment contracts within the plan to  
3 24 advise employees concerning the plan. Local tax-sheltered  
3 25 investment contract providers shall consist of individuals,  
3 26 otherwise authorized to offer plans in accordance with section  
3 27 403(b), who provided eligible employees with tax=sheltered  
3 28 investment contracts prior to establishing the plan, are  
3 29 located within the jurisdiction of the applicable school  
3 30 district, and otherwise consent to comply with the  
3 31 requirements of the plan established pursuant to this section.~~

~~3 32 2. The selection of investment contracts to be included  
3 33 within the plan established by the school district shall be  
3 34 made either pursuant to a competitive bidding process  
3 35 conducted by the school district, in coordination with  
4 1 employee organizations representing employees eligible to  
4 2 participate in the plan, pursuant to a process whereby no more  
4 3 than five companies authorized to issue investment contracts  
4 4 shall be selected by the applicable employer and no more than  
4 5 three companies authorized to issue investment contracts shall  
4 6 be selected by, and in the sole discretion of, the employee  
4 7 organizations representing the applicable employer's~~

~~4 8 employees, or pursuant to an agreement with the department of  
4 9 administrative services to make available investment contracts  
4 10 included in a deferred compensation or similar plan  
4 11 established by the department pursuant to section 8A.438,  
4 12 which plan meets the requirements of this section. The  
4 13 determination of whether how to select investment contracts  
4 14 for the plan pursuant to a competitive bidding process or by  
4 15 agreement with the department of administrative services shall  
4 16 be made by agreement between the school district and the  
4 17 employee organizations representing employees eligible to  
4 18 participate in the plan.~~

~~4 19 Sec. 4. 2008 Iowa Acts, chapter 1171, section 67,  
4 20 subsection 1, is amended to read as follows:~~

~~4 21 1. The department of administrative services shall  
4 22 establish, by January 1, 2010, a plan, as authorized pursuant  
4 23 to section 8A.438 and in accordance with section 403(b) of the  
4 24 Internal Revenue Code, as defined in section 422.3, for  
4 25 employees, which plan shall consist of one or more investment  
4 26 contracts, on a group or individual basis, acquired from a  
4 27 company, or a salesperson for that company, that is authorized  
4 28 to do business in this state, that is eligible to be utilized  
4 29 as a vendor of investment contracts for plans established~~

4 30 pursuant to section 260C.14, subsection 9, section 273.3,  
4 31 subsection 14, or section 294.16, and otherwise meets the  
4 32 requirement relative to local tax-sheltered investment  
4 33 contract providers as provided in section 260C.14, subsection  
4 34 9, section 273.3, subsection 14, and section 294.16.

4 35 Sec. 5. EFFECTIVE DATE. This Act, being deemed of  
5 1 immediate importance, takes effect upon enactment.

5 2 EXPLANATION

5 3 This bill modifies the requirements relative to  
5 4 tax-sheltered investment plans offered by community colleges,  
5 5 area education agencies, and school districts.

5 6 The bill provides that investment contracts in  
5 7 tax-sheltered investment plans can be selected by having the  
5 8 employer select up to five, and the applicable employee  
5 9 organization select up to three, investment contracts for the  
5 10 plan. Current law provides that selection of investment  
5 11 contracts shall only be through a competitive bidding process  
5 12 or by using the plan established by the department of  
5 13 administrative services.

5 14 The bill also provides that plans established shall ensure  
5 15 that local tax-sheltered investment contract providers be  
5 16 employed by companies selected to offer investment contracts  
5 17 within the plan to advise employees concerning the plan. The  
5 18 bill provides that local tax-sheltered investment contract  
5 19 providers shall consist of individuals, otherwise authorized  
5 20 to offer plans in accordance with Code section 403(b), who  
5 21 provided eligible employees with tax-sheltered investment  
5 22 contracts prior to establishing the plan, are located within  
5 23 the jurisdiction of the applicable employer, and otherwise  
5 24 consent to comply with the requirements of the plan. The bill  
5 25 further provides that the plan established by the department  
5 26 of administrative services for potential adoption by community  
5 27 colleges, area education agencies, and school districts comply  
5 28 with the requirement relative to local tax-sheltered  
5 29 investment contract providers.

5 30 The bill takes effect upon enactment.

5 31 LSB 2154SC 83

5 32 ec/rj/5