

## Assembly Bill No. 1480

### CHAPTER 432

An act to amend Section 24976 of, and to add Section 24950.5 to, the Education Code, relating to state teachers' retirement, and making an appropriation therefor.

[Approved by Governor September 27, 2008. Filed with  
Secretary of State September 27, 2008.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 1480, Mendoza. State teachers' retirement: annuity contracts and custodial accounts.

Existing law requires the State Teachers' Retirement System to offer annuity contracts and custodial accounts to all employees of any state agency who are members of the State Teachers' Retirement Plan, as specified, or any employee of a local public agency or political subdivision of the state that employs persons to perform creditable service subject to coverage by the plan, as specified. Existing federal law permits the creation of individual retirement accounts referred to as Roth IRAs, and regulates the conditions under which a taxpayer may make a rollover contribution to a Roth IRA from another individual retirement account.

Existing law provides for the deposit of funds into the Teachers' Deferred Compensation Fund, a continuously appropriated fund.

This bill would permit the State Teachers' Retirement System to administer 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 the federal tax law. The bill would permit the system to provide for the administration of the Roth IRA by a qualified 3rd-party administrator who would provide custodial, investment, recordkeeping, or administrative services. The bill would also provide for the deposit of revenues into the Roth IRA Operating Account within the Teachers' Deferred Compensation Fund. By increasing amounts deposited in that fund, this bill would make an appropriation.

Appropriation: yes.

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

SECTION 1. Section 24950.5 is added to the Education Code, to read:  
24950.5. (a) The system may administer an individual retirement plan as described in Section 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.

(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 Administrative and Compliance Services Operating Account within the Teachers' 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 deferred 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.