

**MEMO# 14869**

July 3, 2002

## **INSTITUTE LETTER CONCERNING CALIFORNIA 403(B) LEGISLATION**

[14869] July 3, 2002 TO: PENSION MEMBERS No. 31-02 PENSION OPERATIONS ADVISORY COMMITTEE No. 44-02 RE: INSTITUTE LETTER CONCERNING CALIFORNIA 403(b) LEGISLATION The California Senate is currently considering the attached legislation, Assembly Bill 2506, which would require the California Teachers' Retirement Board, the manager of the State Teachers' Retirement System, to establish a registration process for vendors seeking to offer retirement products under section 403(b) of the Internal Revenue Code to employees of local school districts, community college districts and county offices of education. The information obtained through this registration process would be posted on an impartial information bank maintained by the Board on an Internet website. The costs of the creation and maintenance of the information bank would be borne by registered vendors. The Institute has sent the attached letter to the sponsor of the bill, Assemblymember Steinberg, to express its concerns about certain aspects of the bill. As a preliminary matter, the letter notes that the information that would be provided on the information bank is readily available today to potential investors of mutual funds through their prospectuses. The letter also raises the industry's specific concerns about the assessing of fees, the open-ended nature of these fees, and the bill's specific requirement that a vendor must describe in its registration its "willingness to negotiate reasonable indemnification agreements." Kathy D. Ireland Associate Counsel Attachments Note: Not all recipients receive the attachments. To obtain copies of the attachments, please visit our members website (<http://members.ici.org>) and search for memo 14869, or call the ICI Library at (202) 326-8304 and request the attachments for memo 14869. Attachment no. 1 (in .pdf format)