

2016 Regular Session

HOUSE BILL NO. 53

BY REPRESENTATIVE FOIL

RETIREMENT/PAROCHIAL EMP: Provides relative to Deferred Retirement Option Plan accounts in the Parochial Employees' Retirement System and interest on such accounts

1 AN ACT

2 To amend and reenact R.S. 11:1938(F)(2), relative to Deferred Retirement Option Plan
3 accounts of members of the Parochial Employees' Retirement System; to provide
4 with respect to the investment of funds in such accounts; to provide with respect to
5 the rate of interest credited to such accounts; and to provide for related matters.

6 Notice of intention to introduce this Act has been published
7 as provided by Article X, Section 29(C) of the Constitution
8 of Louisiana.

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 11:1938(F)(2) is hereby amended and reenacted to read as follows:

11 §1938. Deferred Retirement Option Plan

12 * * *

13 F.

14 * * *

15 (2)(a) After a person terminates participation in this program, but provided
16 that he has not terminated his employment which made him eligible to become a
17 member of this system, all amounts which remain credited to the individual's
18 subaccount after termination of participation in the plan shall be placed in liquid
19 asset money market investments at the discretion of the board of trustees. ~~Such~~

1 account balances may be credited with interest at the actual rate of return earned on
2 such account balance investments, said interest to be credited to the individual's
3 account balance on an annual basis.

4 (a) (b) The contributing period shall mean that time period when funds are
5 being credited to the participant's subaccount which is maintained by the system.

6 (b) ~~After the contributing period ends, the balance of the subaccount then~~
7 ~~may be transferred to a self-directed subaccount, which shall be known as the~~
8 ~~investment period. Both subaccounts shall be within the Deferred Retirement Option~~
9 ~~Plan established herein. Management of the funds shall be by the system during the~~
10 ~~contributing period. When the funds are transferred to the self-directed subaccount~~
11 ~~for the investment period, the system is authorized to hire a third party provider. The~~
12 ~~third party provider shall act as an agent of the system for purposes of investing~~
13 ~~balances in the self-directed subaccounts of the participant as directed by the~~
14 ~~participant. The participant shall be given such options that comply with federal law~~
15 ~~for self-directed plans.~~

16 (c) ~~The participant in the self-directed portion of this plan agrees that the~~
17 ~~benefits payable to the participant are not the obligations of the state or the system,~~
18 ~~and that any returns and other rights of the plan are the sole liability and~~
19 ~~responsibility of the participant and the designated provider to which contributions~~
20 ~~have been made. Furthermore, each participant, in accordance with this provision,~~
21 ~~shall expressly waive his rights as set forth in Article X, Section 29(A) and (B) of the~~
22 ~~Louisiana Constitution as it relates to his subaccount in the self-directed portion of~~
23 ~~the plan. By participating in the self-directed portion of the plan, the participant~~
24 ~~agrees that he and the provider shall be responsible for complying with all applicable~~
25 ~~provisions of the Internal Revenue Code. The participant also agrees that if any~~
26 ~~violation of the Internal Revenue Code occurs as a result of the participant's~~
27 ~~participation in the self-directed portion of the plan, it shall be the sole responsibility~~
28 ~~and liability of the participant and the provider, not the state or the system. There~~
29 ~~shall be no liability on the part of and no cause of action of any nature shall arise~~

1 ~~against the state, the system, or its agents or employees, for any action taken by the~~
 2 ~~participant for choices the participant makes in relationship to the funds in which he~~
 3 ~~chooses to place his subaccount balance.~~ After the contributing period ends, the
 4 balance of the subaccount shall be credited annually with interest using the preceding
 5 twelve-month average of interest paid by the custodial bank's prime money market
 6 institutional shares fund.

7 * * *

8 Section 2. This Act shall become effective upon signature by the governor or, if not
 9 signed by the governor, upon expiration of the time for bills to become law without signature
 10 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
 11 vetoed by the governor and subsequently approved by the legislature, this Act shall become
 12 effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 53 Engrossed 2016 Regular Session Foil

Abstract: Removes provisions regarding self-directed Deferred Retirement Option Plan (DROP) accounts in the Parochial Employees' Retirement System (PERS) and establishes the rate of interest paid on such accounts.

Present law authorizes a member of PERS to continue in employment once his DROP participation period ends. Proposed law retains present law.

Present law provides that the member's account balance at the end of his DROP participation period shall be placed in liquid asset money market investments selected by the board of trustees. Proposed law retains present law. Present law further provides that after the DROP participation period ends, the member may elect to transfer his subaccount balance to a self-directed money market account with a third-party provider. Proposed law repeals present law.

Present law authorizes interest to be credited to the member subaccounts at the rate of the actual rate of return earned on the account balances. Proposed law requires interest to be credited on the subaccount balance using the preceding 12-month average of interest paid by the custodial bank's prime money market institutional shares fund. Further requires such interest to be credited annually.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 11:1938(F)(2))

CODING: Words in ~~struck through~~ type are deletions from existing law; words underscored are additions.