

Regular Session, 2010

HOUSE BILL NO. 930

BY REPRESENTATIVE TUCKER

RETIREMENT/STATE SYSTEMS: Relative to state retirement systems, establishes a defined contribution plan for new hires

1 AN ACT

2 To enact Subpart P of Part II of Chapter 4 of Subtitle I of Title 11 of the Louisiana Revised
3 Statutes of 1950, to be comprised of R.S. 11:331 through 336, relative to the
4 Louisiana State Employees' Retirement System, the Teachers' Retirement System of
5 Louisiana, the State Police Pension and Retirement System, and the Louisiana
6 School Employees' Retirement System; to create a defined contribution plan within
7 such systems; to provide relative to contributions and benefits; to provide for an
8 effective date; and to provide for related matters.

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

12 Be it enacted by the Legislature of Louisiana:

13 Section 1. Subpart P of Part II of Chapter 4 of Subtitle I of Title 11 of the Louisiana
14 Revised Statutes of 1950, comprised of R.S. 11:331 through 336, is hereby enacted to read
15 as follows:

16 SUBPART P. MANDATORY DEFINED CONTRIBUTION PLAN;

17 STATE SYSTEMS

18 §331. Creation of mandatory defined contribution plans; state systems

19 A. Notwithstanding any provision of law to the contrary, there is hereby
20 created a defined contribution plan in each of the state retirement systems, in which

1 participation will be mandatory for persons first employed or reemployed on or after
2 January 1, 2011, who would otherwise be eligible to become members of such state
3 retirement systems. For purposes of this Subpart, the term "state retirement systems"
4 or "systems", shall mean the following retirement systems, plans, or funds:

5 (1) Louisiana State Employees' Retirement System.

6 (2) Teachers' Retirement System of Louisiana.

7 (3) State Police Pension and Retirement System.

8 (4) Louisiana School Employees' Retirement System.

9 B. Those persons required by this Subpart to participate in the defined
10 contribution plans of their respective systems shall not be considered eligible for any
11 benefits provided by the defined benefit plan of each respective system and shall not
12 attain any service credit in the defined benefit; however, any person who is
13 reemployed on or after January 1, 2011, who has accrued any rights or benefits by
14 virtue of membership in any state retirement system or other public retirement
15 system before such date shall retain such rights and benefits that have accrued in
16 such system, but shall participate exclusively in the defined contribution plan
17 established by this Subpart on or after January 1, 2011.

18 §332. Administration

19 Each state retirement system or its successor in interest shall provide for the
20 administration and maintenance of its respective defined contribution plan
21 established under this Subpart. The board of trustees of each system may promulgate
22 any rules necessary for such administration and maintenance and any rules necessary
23 for complying with applicable provisions of the Internal Revenue Code.

24 §333. Selection of providers; criteria for placement of contracts

25 A. The board of trustees of each state retirement system shall select and
26 contract with no more than three providers with which participants will be authorized
27 to place their contributions in products that shall be selected by the board. In
28 selecting the providers, the board shall consider, among other things, the following:

29 (1) The tax status of the product.

- 1 (2) The portability of the products offered by the providers.
- 2 (3) The types of products offered by the providers.
- 3 (4) The relation of the costs and benefits as relates to the amount of the
4 contributions to be made pursuant to the provisions of this Subpart.
- 5 (5) The ability of the designated provider or providers to provide the rights
6 and benefits under the products.
- 7 (6) The nature and extent of the rights and benefits to be provided by the
8 contracts for participating employees and their beneficiaries.
- 9 (7) The suitability of the rights and benefits relative to the needs and
10 interests of participants.
- 11 (8) The ability of the provider to provide educational services and materials
12 to participants.
- 13 (9) The methods available for participants to interact with the provider
14 company; the means by which participants may access account information, direct
15 investment of contributions, make changes to their accounts, transfer monies
16 between available investment vehicles, and transfer monies between provider
17 companies; and any fees that apply to such activities.
- 18 (10) An evaluation of specific investment products, taking into account each
19 product's experience in meeting its investment return objectives net of all related
20 fees, expenses, and charges, including but not limited to investment management
21 fees, distribution and marketing fees, custody fees, record keeping fees, education
22 fees, annuity expenses, and consulting fees.
- 23 (11) Organizational factors, including, but not limited to, the financial
24 solvency of the provider, its organizational depth, and its experience in providing
25 institutional and retail investment services.
- 26 B. The board shall ensure that each participant is provided a quarterly
27 statement that accounts for the contributions made on behalf of such participant; the
28 interest and investment earnings thereon; and any fees, penalties, or other deductions
29 that apply thereto. At a minimum, such statements must:

- 1 (1) Indicate the participant's investment options.
- 2 (2) State the market value of the account at the close of the current quarter
3 and previous quarter.
- 4 (3) Show account gains and losses for the period and changes in account
5 accumulation unit values for the period.
- 6 (4) Itemize account contributions for the quarter.
- 7 (5) Indicate any account changes due to adjustment of contribution levels,
8 reallocation of contributions, balance transfers, or withdrawals.
- 9 (6) Set forth any fees, charges, penalties, and deductions that apply to the
10 account.
- 11 (7) Indicate the amount of the account in which the participant is fully vested
12 and the amount of the account in which the participant is not vested.
- 13 (8) Indicate each investment product's performance relative to an appropriate
14 market benchmark.
- 15 §334. Contributions
- 16 A.(1) Each participant shall make a 10% employee contribution monthly.
17 Each employer participating in a state retirement system shall contribute on behalf
18 of each participant five and one quarter percent of payroll on a monthly basis.
- 19 (2) The entirety of such contributions, less any monthly fee established by
20 the board of trustees to cover the cost of administration and maintenance of the
21 defined contribution plan, shall be remitted by the system to the applicable
22 designated provider or providers for crediting to the participant's account or
23 accounts.
- 24 B. Notwithstanding the provisions of Subsection A of this Section, the
25 system shall not remit any funds or contributions to any provider or providers from
26 an employer until the correct and total amount to be remitted to the system is
27 received each month from the employer.

1 §335. Vesting

2 A participant shall be vested upon attainment of five years of service with an
3 employer participating in a state retirement system. For purposes of this Subpart,
4 "vesting" shall mean the acquisition of a property right to all employer contributions
5 credited to a participant's account together with all interest attributable thereto. Upon
6 commencement of participation in the defined contribution plan, a participant shall
7 acquire an immediate property right to all employee contributions credited to his
8 account together with interest attributable thereto.

9 §336. Benefits

10 A. The benefits payable to participants of a defined contribution plan
11 established under this Subpart are not the obligations of the state of Louisiana or any
12 state retirement system, rather, such benefits and other rights of the defined
13 contribution plan are the sole liability and responsibility of the designated provider
14 or providers to which contributions have been made.

15 B.(1) Benefits shall be payable to defined contribution plan participants or
16 their beneficiaries by the designated provider or providers and not by the respective
17 state retirement system in accordance with the contract types provided by the
18 providers selected and the contracts approved for use in the defined contribution plan
19 by the board.

20 (2) Subject to the provisions of the contract, retirement benefits shall be paid
21 in the form of a lifetime income, unless the participant or beneficiary requests a
22 trustee-to-trustee single-sum cash rollover payment between qualified plans, or
23 payment made directly to a conduit individual retirement account, but death benefits
24 may be paid in the form of a single-sum cash payment paid directly to the
25 beneficiary or estate, whichever is applicable.

26 (3) The board of trustees may approve any of the following single-sum cash
27 payments:

28 (a) Direct transfers by and between companies.

29 (b) Death benefits.

1 (c) An initial benefit payable upon retirement, provided such benefit is
2 approved by the contracting company. The initial benefit shall not exceed an amount
3 equal to the participant's monthly benefit, payable as a single-life annuity times
4 thirty-six.

5 (4) Participants in the defined contribution plan shall not be entitled to any
6 benefits to which members in the defined benefit plan are entitled, including but not
7 limited to disability benefits, survivor benefits, participation in the Deferred
8 Retirement Option Plan, and any cost-of-living adjustments or permanent benefit
9 increases granted to retirees of the defined benefit plan; however, the services or
10 products offered by a provider may provide for disability or survivor benefits.

11 C. Participation in the defined contribution plan shall not preclude
12 participation in the Office of Group Benefits if the defined contribution plan
13 participant or retiree would otherwise be entitled to participate in the Office of Group
14 Benefits in accordance with applicable laws and regulations.

15 D. Defined contribution plan participants and providers shall be responsible
16 for complying with all applicable provisions of the Internal Revenue Code, and if
17 any violation of that code occurs as a result of the participant's participation in the
18 optional retirement plan, it shall be the responsibility and liability of the participant
19 and the provider and not the state retirement system.

20 E. There shall be no liability on the part of and no cause of action of any
21 nature shall arise against a state retirement system, or its agents or employees, for
22 any action taken in the performance of the duties under this Subpart.

23 Section 2. This Act shall become effective on July 1, 2010; if vetoed by the governor
24 and subsequently approved by the legislature, this Act shall become effective on July 1,
25 2010, or on the day following such approval by the legislature, whichever is later.

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)]

Tucker

HB No. 930

Abstract: Relative to state retirement systems, establishes a defined contribution plan for members of such plans who are hired on or after Jan. 1, 2011.

Present law generally provides for a defined benefit plan for members of state retirement systems, whereby a certain determinable benefit is provided upon retirement which is typically calculated using the following method: [(years of service) x (accrual rate, typically 2.5% to 3%)] x Final Average Compensation. The state retirement systems are:

- (1) Louisiana State Employees' Retirement System (LASERS).
- (2) Teachers' Retirement System of Louisiana (TRSL).
- (3) Louisiana School Employees' Retirement System (LSERS).
- (4) State Police Pension and Retirement System (LSPRS).

Proposed law establishes a defined contribution (DC) plan within each state retirement system for any member first employed or reemployed on or after Jan. 1, 2011. Any person reemployed on or after Jan. 1, 2011, shall retain any accrued rights in another public retirement system that he attained prior to that date, but shall be enrolled in the DC plan on or after Jan. 1, 2011.

Proposed law provides that each state retirement system shall be responsible for the administration and maintenance of its respective DC plan, and the board of trustees of each system may promulgate any rules or regulations necessary for such purpose and for maintaining compliance with the U.S. Internal Revenue Code.

Proposed law requires the board of trustees of each state system to select and contract with no more than three DC plan providers and in so doing shall consider certain criteria. Furthermore, the board shall ensure that certain information is provided to plan participants.

Proposed law provides that employee contributions to the DC plan shall be 10%, and employer contributions shall be 5.25% of payroll.

Proposed law provides that a participant shall immediately acquire a property right in and to his employee contributions together with interest upon commencement of participation. Provides that the participant shall acquire a property right in and to all employer contributions plus interest upon attainment of five years of participation in the DC plan.

Proposed law provides that DC plan benefits are not the obligation of the state. Furthermore, requires benefits to be payable in the form of a lifetime annuity, except under certain limited circumstances.

Proposed law provides that participation in the DC plan shall not preclude participation in the Office of Group Benefits if the DC plan participant would otherwise be entitled to such participation.

Proposed law provides that there will be no liability or cause of action against a state retirement system for actions taken in performance of proposed law.

Effective July 1, 2010.

(Adds R.S. 11:331-336)