
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 549 Original

2017 Regular Session

Hodges

Abstract: Requires the Louisiana Deferred Compensation Plan to provide a voluntary option investment, provides for commission membership, and requires reporting to the legislature.

Present law provides for the La. Deferred Compensation Plan administered by the La. Deferred Compensation Commission.

Present law establishes the La. Deferred Compensation Plan pursuant to state statute and in accordance with Section 457 of the Internal Revenue Code of 1954, as amended. Present law allows participants to save some of their employment earnings for retirement in a manner which is deductible under the Internal Revenue Code of 1954.

Present law allows for participation in the Louisiana Deferred Compensation Plan for any officer or employee of the state of Louisiana or of any of its political subdivisions, or an independent contractor who has a current contract with the state or any of its political subdivisions, including any parish coroner.

Present law defines "investment product" to mean any fixed annuity, variable annuity, life insurance contract, savings account, or any other form of investment selected by the Commission for the purpose of receiving funds under the plan.

Proposed law clarifies that the term "savings account" as an "investment product" means an account in which cash may be deposited and maintained by a participant.

Present law defines "custodial financial institution" to mean a financial institution in which funds are deposited between the date on which they are deferred from a participant's compensation and the date on which they are transmitted to an investment product company.

Proposed law retains present law but expands the definition of a "custodial financial institution" to include any institution which holds cash for those participants who voluntarily choose to keep some or all of their contributions in a savings account in which optional cash contributions are deposited.

Proposed law adds a definition for "voluntary, optional cash contribution" to mean a voluntary contribution made by the participant of some portion or all of the participant's monetary contribution to the plan that shall be available for the participant in case it is necessary for the participant to file an application for withdrawal or deferral modification based upon hardship as provided for in present law or for use otherwise in retirement.

Present law provides that the Commission shall have power to select the investments and to enter into contracts with the providers of such investments.

Proposed law retains present law but requires the Commission to enter into contracts with one or more custodial financial institutions allowing participants to deposit voluntary optional cash contributions into savings accounts.

Present law provides that the Commission consists of seven members as follows:

- (1) The state treasurer.
- (2) The commissioner of administration.
- (3) The commissioner of insurance.
- (4) The commissioner of financial institutions.
- (5) Three participant members who shall be elected by participants in accordance with rules promulgated by the Commission.

Proposed law expands Commission membership to nine members to include the following:

- (1) The chairman of the House Committee on Retirement.
- (2) The chairman of the Senate Committee on Retirement.

Present law provides that duties of the Commission include establishing procedures for the processing of applications for withdrawal or deferral modification based upon the hardship of the participant.

Present law requires the Commission to prepare and make available to participants an annual report concerning the status of the plan, which report shall supply information such as rates of return on, or performance of, investment products.

Proposed law retains present law but provides that a copy of the annual report shall also be made available to the House Committee on Retirement and the Senate Committee on Retirement.

Present law provides that the Commission has the power to select the administrator of the plan, to enter into a contract with such firm and to do all such things as may be required in order to insure proper administration of the plan. Present law further provides that, in exercising this function, the Commission shall act only after soliciting proposals from interested firms in accordance with specifications prepared by the Commission. Present law further provides that, the preceding sentence notwithstanding, the Commission may enter into a contract, without the necessity of soliciting proposals, with a nonprofit corporation whose membership is limited to participants and is open to all participants.

Proposed law provides that the Commission shall establish a procedure for advising participants who have filed an application for withdrawal or deferral modification based upon hardship as to the amount of the voluntary, optional cash contribution, if any, that has been deposited by participant and is available to the participant in the individual participant account.

Proposed law provides that the administrator shall solicit requests for proposals (RFP) from all interested financial institutions to establish savings accounts in which participants may invest part or all of their retirement savings as voluntary, optional cash contributions for retirement or in case of hardship.

Proposed law provides that the administrator shall make the RFP available to the La. Bankers Association for distribution to its members who may be interested in responding to the request for proposals.

Proposed law provides that the RFP shall advise the financial institutions that the Commission shall give preference to the financial institution or institutions which give the highest interest rate to participants.

Proposed law requires the administrator to act as a fiduciary to the participants when seeking proposals from financial institutions provided for in proposed law and administering the voluntary, optional cash contributions savings accounts.

Proposed law provides that the Commission shall select one or more custodial financial institutions from the responses to the RFP whereby participants may deposit voluntary, optional cash contributions into savings accounts.

Proposed law provides that the administrator shall make the RFP available to the La. Bankers Association for distribution to banks all across Louisiana who may be interested in responding to the request for proposals.

Proposed law provides that, no later than July 31, 2017, the administrator of the Commission shall solicit requests for proposals from all interested financial institutions and no later than August 31, 2017, the Commission shall select and enter into contracts with one or more custodial financial institutions whereby participants may deposit voluntary, optional cash contributions into savings accounts.

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

(Amends R.S. 42:1301(3), (4),(5), and (6), 1302(B), 1303(1), (2), (9) and (10), and 1307; adds R.S. 42:1301(10) and 1303.2)