

Regular Session, 2014

HOUSE BILL NO. 39

BY REPRESENTATIVE PEARSON

RETIREMENT/ASSESSORS: Provides relative to the Back-Deferred Retirement Option Plan (Back-DROP) in the Louisiana Assessors' Retirement Fund

1 AN ACT

2 To enact R.S. 11:1456.1(E), relative to Back-Deferred Retirement Option Plan in the
3 Louisiana Assessors' Retirement Fund; to provide relative to lump-sum distributions
4 from such plan; to authorize transfers to a third-party provider; to provide relative
5 to contracts to manage such funds; to provide relative to the rights, duties, and
6 obligations of participants, providers, the fund, and the state; and to provide for
7 related matters.

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

11 Be it enacted by the Legislature of Louisiana:

12 Section 1. R.S. 11:1456.1(E) is hereby enacted to read as follows:

13 §1456.1. Back-Deferred Retirement Option Program

14 * * *

15 E.(1) In lieu of receiving a lump-sum benefit payment as set forth in
16 Paragraph (D)(3) of this Section, the member may elect to transfer the lump-sum
17 payment into a self-directed account managed by a third-party provider.

18 (2) The board may hire a third-party provider to manage the self-directed
19 accounts authorized by this Subsection. The third-party provider shall act as an agent
20 of the fund for purposes of investing balances in the self-directed accounts of the

1 participant as directed by the participant. The participant shall be given such options
2 as comply with federal law for self-directed plans.

3 (3) Any participant who elects to transfer the lump-sum Back-DROP
4 payment into a self-directed account agrees that the benefits payable to the
5 participant are not the obligations of the state or the fund and that any returns and
6 other rights of the plan are the sole liability and responsibility of the participant and
7 the designated provider to which contributions have been made. Furthermore, each
8 participant, in accordance with this provision, shall expressly waive his rights as set
9 forth in Article X, Section 29(E)(5) of the Constitution of Louisiana as it relates to
10 his Back-DROP account with the third-party provider. By electing to transfer the
11 Back-DROP lump-sum payment into an account with a third-party provider, the
12 participant agrees that he and the provider shall be responsible for complying with
13 all applicable provisions of the Internal Revenue Code. The participant also agrees
14 that if any violation of the Internal Revenue Code occurs as a result of the
15 participant's decision to transfer his Back-DROP lump-sum payment into a self-
16 directed account, it shall be the sole responsibility and liability of the participant and
17 the provider and not of the state or the fund.

18 (4) There shall be no liability on the part of and no cause of action of any
19 nature shall arise against the state, the fund, or the agents or employees of the state
20 or the fund for any action taken by the participant or for choices the participant
21 makes in relationship to the self-directed account funds in which he chooses to place
22 his account balance.

23 Section 2. This Act shall become effective upon signature by the governor or, if not
24 signed by the governor, upon expiration of the time for bills to become law without signature
25 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
26 vetoed by the governor and subsequently approved by the legislature, this Act shall become
27 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)]

Pearson

HB No. 39

Abstract: Authorizes participants in the La. Assessors' Retirement Fund Back-Deferred Retirement Option Plan (Back-DROP) to transfer their lump-sum Back-DROP payment to a self-directed account managed by a third-party provider.

Present law (R.S. 11:1456.1) establishes the Back-DROP program within the La. Assessors' Retirement Fund (hereafter, the fund). Provides that a Back-DROP participant may receive both his retirement benefit and a lump-sum amount equal to his maximum monthly benefit amount multiplied by the number of months the member selected for his Back-DROP period pursuant to present law. Proposed law retains present law.

Present law (R.S. 11:1457) authorizes a member to roll eligible distributions to another qualified retirement plan, such as an IRA.

Proposed law authorizes the fund to contract with a third-party provider to provide self-directed accounts for Back-DROP lump sums. Authorizes the member to transfer their Back-DROP lump sums to such self-directed accounts.

Proposed law provides waivers of liability that a self-directed account participant agrees to when he elects participation in such account. Such waivers include:

- (1) That the benefits payable from the self-directed account are not the obligations of the state or the fund.
- (2) That the participant and the selected third-party provider bear all liability and responsibility for returns and other rights under the account.
- (3) That the participant waives his constitutional protections against diminished or impaired benefits.
- (4) That the participant and the third-party provider bear all responsibility for complying with applicable I.R.S. provisions and regulations.
- (5) That the state and the fund and all agents of the state and the fund are not liable for choices the participant makes as to his investments.

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

(Adds R.S. 11:1456.1(E))