

Regular Session, 2013

HOUSE CONCURRENT RESOLUTION NO. 2

BY REPRESENTATIVE HARRISON

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

RETIREMENT/STATE SYSTEMS: Suspends provisions of law providing for the Cash Balance Plan in certain retirement systems

1 A CONCURRENT RESOLUTION

2 To suspend until the earlier of July 1, 2014, or the occurrence of certain conditions the

3 provisions of Chapter 7 of Subtitle II of Title 11 of the Louisiana Revised Statutes

4 of 1950, comprised of R.S. 11:1399.1 through 1399.7, providing for a Cash Balance

5 Plan in certain state retirement systems.

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 WHEREAS, Act No. 483 of the 2012 Regular Session of the Legislature provided

10 for a Cash Balance Plan in certain state retirement systems and provides for members of

11 certain state retirement systems to enter the Cash Balance Plan on July 1, 2013; and

12 WHEREAS, members of the state retirement systems do not participate in Social

13 Security; and

14 WHEREAS, it is critical to determine whether the Cash Balance Plan offers a benefit

15 to all members that is adequate to maintain the current exemption from Social Security; and

16 WHEREAS, the division of administration on behalf of the state, as the employer for

17 state employees, is seeking a determination from the Internal Revenue Service (IRS) of the

18 Social Security equivalency of the new Cash Balance Plan; and

19 WHEREAS, there is a question as to whether the Cash Balance Plan jeopardizes the

20 tax-qualified status of the existing state retirement plans; and

1 WHEREAS, plan status determines whether contributions and earnings are taxable
2 and if distributions are eligible for rollover into other tax-qualified vehicles; and

3 WHEREAS, the Louisiana State Employees' Retirement System (LASERS) is
4 seeking a determination from the IRS on whether the Cash Balance Plan will affect the tax-
5 qualified status of the current LASERS plan; and

6 WHEREAS, it is extremely unlikely that the IRS will provide answers to the
7 questions regarding the Social Security equivalency and the tax-qualified status of the Cash
8 Balance Plan prior to members entering the Cash Balance Plan on July 1, 2013; and

9 WHEREAS, in order to avoid significant costs to the state and its employees related
10 to Social Security contributions or serious tax consequences to the state retirement systems,
11 the questions regarding the Social Security equivalency and tax-qualified status of the Cash
12 Balance Plan must be answered prior to the time any employee enters the Cash Balance Plan.

13 THEREFORE, BE IT RESOLVED that the Legislature of Louisiana hereby suspends
14 the provisions of Chapter 7 of Subtitle II of Title 11 of the Louisiana Revised Statutes of
15 1950, comprised of R.S. 11:1399.1 through 1399.7, providing for a Cash Balance Plan in
16 certain state retirement systems.

17 BE IT FURTHER RESOLVED that this Resolution shall become effective upon
18 adoption of this Resolution and shall remain in effect through the earlier of the following:

19 (1) Sixty days after the latter of the following two dates: the date the division of
20 administration is in receipt of a ruling from the IRS declaring that the Cash Balance Plan
21 provides a benefit equivalent to Social Security and the date LASERS is in receipt of a ruling
22 from the IRS that the Cash Balance Plan is a qualified plan that does not impact the tax-
23 qualified status of the existing state retirement plans.

24 (2) July 1, 2014.

25 BE IT FURTHER RESOLVED that the division of administration and LASERS shall
26 notify the other and the following within three business days of receipt of any ruling from
27 the IRS on these questions:

28 (1) The speaker of the Louisiana House of Representatives.

29 (2) The chairman of the House Committee on Retirement.

30 (3) The president of the Louisiana Senate.

- 1 (4) The chairman of the Senate Committee on Retirement.
- 2 (5) The director of the Teachers' Retirement System of Louisiana.
- 3 (6) The director of the Louisiana School Employees' Retirement System.
- 4 BE IT FURTHER RESOLVED that it is the intent of the legislature that any
- 5 provisions contained in Act No. 483 of the 2012 Regular Session of the Legislature that are
- 6 not being suspended by the provisions of this Resolution shall continue in force and effect
- 7 and shall be interpreted as though they had not been amended by such Act until termination
- 8 of the suspension provided for in this Resolution.
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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)]

Harrison

HCR No. 2

Suspends provisions of present law providing for the Cash Balance retirement plan.

The suspension is effective until the earlier of:

- (1) 60 days after the latter of the following: (a) the date the division of administration is in receipt of a ruling from the Internal Revenue Service declaring that the Cash Balance Plan provides a benefit equivalent to Social Security; (b) the date the La. State Employees' Retirement System (LASERS) is in receipt of a ruling from the Internal Revenue Service that the Cash Balance Plan is a qualified plan that does not impact the tax-qualified status of the existing state retirement plans.
- (2) July 1, 2014.

Requires that the division of administration and LASERS inform each other and specified others regarding receipt of any ruling from the Internal Revenue Service on questions of Social Security equivalency and tax qualification.

Further provides legislative intent that any provisions contained in Act No. 483 of the 2012 R.S., which created the Cash Balance Plan, that are not being suspended by the provisions of the Resolution shall continue in force and effect and shall be interpreted as though they had not been amended by such Act until termination of the suspension provided for in the Resolution.

(Suspends R.S. 11:1399.1-1399.7)