

Voters to decide if investing allowed

Government workers subject of amendment

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By Robert Travis Scott

This is the last in a series of stories looking at the seven proposed constitutional amendments on the Nov. 4 ballot.

BATON ROUGE -- Among the seven proposed constitutional amendments on the Nov. 4 ballot, Louisiana voters will decide whether to let state and local governments invest in the stock market with money from public-employee retirement health care and life insurance funds.

Proposed Amendment No. 7 passed with unanimous votes in both the House and Senate.

Rep. Hollis Downs, R-Ruston, the author of the amendment bill, said the recent downturn in the stock market has not changed his mind about the need for this constitutional provision.

The state Constitution generally prohibits government from investing in equities or stocks. But many exceptions have been made for various government-run funds and for state-employee retirement systems. Amendment No. 7 would make a further exception for special types of retirement benefit funds.

Known as non-pension, post-employment benefit trusts, these funds are designed to help pay for health-care coverage for retired government employees and benefits other than regular pensions. The Legislature passed laws in the past two years to allow the creation of these funds, none of which have been financed so far.

They are needed because a new national accounting standard is taking effect this year that will require government balance sheets to show they have the financial resources to meet the future obligations they have made for non-pension benefit expenses. Rising health care insurance costs are particularly worrisome.

"State and local governments nationwide are struggling to comply with this rule without claiming huge unfunded liabilities on their balance sheets," a report from the Public Affairs Research Council stated. "Good accounting practices dictate that long-term liabilities be balanced with long-term funding sources."

Downs said the stock market, and its potential for high-yield gains over time, offers one answer to the long-term challenge these funds would face. Related legislation would limit governments to investing no more than 55 percent of a fund in stocks, with no more than 5 percent in a single company's shares.

With the Blue-Chip Dow Jones Industrial Average losing a third of its value so far this year, the risks of the stock market recently have seemed apparent. Some might question the prudence of

investing in stocks versus more reliable returns from U.S. Treasuries and other conservative securities.

"We believe recent events on Wall Street will curb much of the enthusiasm that may have once existed for over investment in (equity) securities," a report from the Council for a Better Louisiana stated. Still, the council supports the amendment. Governments will have an incentive to make prudent investments to keep the funds from collapsing, the report stated.

The Bureau of Governmental Research supports the amendment and published a report stating that the long-term nature of the stock investments would be both "appropriate and desirable" for the funds.

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