

2016 Regular Session

HOUSE BILL NO. 58

BY REPRESENTATIVE LEGER

RETIREMENT/LOCAL: Provides relative to the Deferred Retirement Option Plan in the Firefighters' Pension and Relief Fund in the city of New Orleans

1 AN ACT

2 To amend and reenact R.S. 11:3385.1(D) and (H)(2), relative to the Deferred Retirement  
3 Option Plan in the Firefighters' Pension and Relief Fund in the city of New Orleans;  
4 to provide relative to benefit options for members electing to participate in such plan;  
5 to provide with respect to account funds and interest thereon; to provide with respect  
6 to administrative fees charged to such accounts; and to provide for related matters.

7 Notice of intention to introduce this Act has been published  
8 as provided by Article III, Section 13 and Article X, Section  
9 29(C) of the Constitution of Louisiana.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 11:3385.1(D) and (H)(2) are hereby amended and reenacted to read  
12 as follows:

13 §3385.1. Deferred Retirement Option Plan

14 \* \* \*

15 D. A member may participate in the Deferred Retirement Option Plan only  
16 once. A member electing to participate in the Deferred Retirement Option Plan shall  
17 not be eligible to receive an initial lump sum benefit provided pursuant to R.S.  
18 11:3385.2.

19 \* \* \*

1 H.

2 \* \* \*

3 (2)(a) Beginning January 1, 2015, and continuing each year thereafter, upon  
4 expiration of the participation period or termination of employment, if earlier, and  
5 each year until the member's DROP account is distributed in its entirety, interest  
6 shall be allocated annually to all member DROP accounts based on a five-year  
7 rolling average of the composite rate of return of the pension fund as determined by  
8 the system actuary, less an administrative fee as determined by the board of trustees.  
9 Prior to January 1, 2015, interest shall be allocated each year based on the one-year  
10 composite rate of return of the pension fund, less an administration fee determined  
11 by the board of trustees, not to exceed two percent. The balance of ~~the~~ a member's  
12 DROP account shall not be diminished or impaired: ,except as otherwise provided  
13 in Subparagraph (c) of this Paragraph.

14 (b) Notwithstanding the provisions of Subparagraph (a) of this Paragraph,  
15 upon expiration of the participation period or termination of employment if earlier,  
16 a member's DROP account shall be placed in liquid asset money market investments  
17 at the discretion of the board of trustees. The DROP account shall be credited with  
18 interest at the actual rate of return earned on such money market investments.

19 (c) Notwithstanding the provisions of Subparagraph (a) or (b) of this  
20 Paragraph, if a member participating in the Deferred Retirement Option Plan on or  
21 after January 1, 2016, upon expiration of the participation period or termination of  
22 employment if earlier, makes an irrevocable written election to waive the guarantees  
23 contained in Subparagraphs (a) and (b) of this Paragraph and to authorize the fund  
24 to debit his DROP account if the fund's investment portfolio experiences a negative  
25 earning rate and to permanently reduce the value of his DROP account if the fund  
26 assets are devalued by a negative earning rate, that member's DROP account may  
27 earn interest at a rate based on a five-year rolling average of the composite rate of

1 return of the fund's investment portfolio as determined by the actuary, less a two  
2 percent administrative fee assessed by the board of trustees.

3 \* \* \*

4 Section 2. This Act shall become effective upon signature by the governor or, if not  
5 signed by the governor, upon expiration of the time for bills to become law without signature  
6 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
7 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
8 effective on the day following such approval.

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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)]

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HB 58 Engrossed

2016 Regular Session

Leger

**Abstract:** Restricts payment options for members electing to participate in the Deferred Retirement Option Plan (DROP) in the Firefighters' Pension and Relief Fund in the city of New Orleans (NOFF) and provides relative to investment of the funds in member DROP accounts and interest earned thereon.

Present law establishes the DROP within NOFF. Members may select a participation period of up to five years in the program.

Present law allows a member who participates in DROP to also take an initial lump sum option on his retirement benefit. Proposed law prohibits a member who elects to participate in DROP from also exercising an initial lump sum benefit option at retirement.

Present law provides that upon expiration of the member's participation period or termination of employment, whichever occurs first, interest shall be allocated annually to the member's DROP account. Further provides that the balance of the member's account cannot be diminished or impaired. Proposed law requires the board, upon expiration of DROP participation or termination of employment, to invest DROP account balances in liquid asset money market investments. Provides that interest shall be the actual rate of return earned on the investments.

Proposed law permits members participating in DROP on or after Jan. 1, 2016, to make a written election to waive the interest provisions for DROP account balances provided by proposed law and present law and to authorize debits to his DROP account in order to have his DROP account balance placed into the fund's investment portfolio to earn interest at a rate based on a five-year rolling average of the actuarially determined composite rate of return of the funds, less a two percent administrative fee.

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

(Amends R.S. 11:3385.1(D) and (H)(2))

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Retirement to the original bill:

1. Remove proposed law provision that beginning Jan. 1, 2016, administrative fees shall not exceed 2%.
2. Remove discretion for DROP accounts to be placed in liquid asset money market investments after DROP participation.
3. Add provision permitting a member participating in DROP on or after Jan. 1, 2016, to make a written election to place his DROP account into the fund's investment portfolio.