
The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by LG Sullivan.

DIGEST

SB 16 Original

2019 Regular Session

Long

STATE POLICE:

Present law (R.S. 11:1312.1) establishes the Back-Deferred Retirement Option Program (Back-DROP) within the Louisiana State Police Retirement System (Troopers). Provides that a system member who meets eligibility requirements to participate in Back-DROP may upon retirement receive his maximum retirement benefit and or a reduced monthly benefit plus a lump-sum amount. Proposed law retains present law.

Present law provides that the Back-DROP lump sum shall be paid to the member at retirement or placed in an individual account in liquid asset money market investments. Provides that the account shall be credited with interest at the actual rate of return.

Proposed law authorizes the board of trustees to enter a contract with a third-party provider to provide self-directed investment accounts for Back-DROP lump sums. Authorizes the member to transfer the member's Back-DROP lump sum to a self-directed account.

MUNICIPAL POLICE:

Present law relative to the Municipal Police Employees' Retirement System (MPERS) provides for a Deferred Retirement Option Plan (DROP). Allows a member who has attained eligibility for an unreduced retirement benefit to continue working and freeze his accruals and accumulate a lump sum of up to 36 months of the maximum benefit at that frozen computation.

Present law also allows a member, at retirement, to receive the actuarial equivalent of his maximum benefit as a lump sum with a reduced monthly payment. Provides that this selection is the "initial benefit option" (IBO).

Present law allows the member to leave his lump-sum account with the system for investment. Specifies how the account is invested based on the date the member elected to receive the lump sum.

Present law authorizes the MPERS board to contract with a third-party provider to administer a self-directed investment program for these lump-sum accounts.

Proposed law retains present law.

Proposed law provides for transfer of DROP and IBO accounts to a self-directed program established under present law. Provides for all accounts not receiving earnings at the rate the system earns to be transferred to the Stable Value Fund of the self-directed program as soon as practicable after June

30, 2019. Further provides for participants with accounts that are receiving earnings at the rate the system earns to elect to transfer their accounts to the self-directed program.

Proposed law specifies that all future accounts shall be transferred to the Stable Value Fund of the self-directed program for investment.

Proposed law provides for compliance with the Internal Revenue Code regarding the distribution of DROP account funds after the death of the participant.

BOTH SYSTEMS:

For both systems, proposed law provides waivers of liability that a self-directed plan or program participant agrees to when he elects participation in such plan or program. Such waivers include:

- (1) That the benefits payable from the self-directed account are not the obligations of the state or the system.
- (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 guarantees of payment and 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 system and all agents of the state and the system are not liable for choices the participant makes as to his investments.

Effective June 30, 2019.

(Amends R.S. 11:1312.1(D)(4), 2220(A), and 2221(F) and (H) through (L); adds R.S. 11:1312.1(E) and 2221(G) and (N))