

2019 Regular Session

SENATE BILL NO. 16

BY SENATOR LONG

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

RETIREMENT BENEFITS. Provides relative to investment of lump-sum benefits.
(6/30/19)

1 AN ACT

2 To amend and reenact R.S. 11:1152(F) and (G), 1312.1(D)(4), 2220(A), and 2221(F) and

3 (H) through (L) and to enact R.S. 11:1312.1(E) and 2221(G) and (N), relative to

4 lump-sum benefits of the Louisiana School Employees' Retirement System, the

5 Louisiana State Police Retirement System, and the Municipal Police Employees'

6 Retirement System; to provide relative to lump-sum distributions; to provide for

7 transfers to a third-party investment services provider; to provide relative to contracts

8 for a third-party provider; to provide relative to the rights, duties, and obligations of

9 participants, providers, the system, and the state; to provide for an effective date; and

10 to provide for related matters.

11 Notice of intention to introduce this Act has been published.

12 Be it enacted by the Legislature of Louisiana:

13 Section 1. R.S. 11:1152(F) and (G), 1312.1(D)(4), 2220(A), and 2221(F) and (H)

14 through (L) are hereby amended and reenacted and R.S. 11:1312.1(E) and 2221(G) and (N)

15 are hereby enacted to read as follows:

16 §1152. Deferred Retirement Option Plan

17 * * *

1 F. (1) A person who participates in the plan shall not be eligible to receive a
2 ~~cost-of-living~~ **permanent benefit** increase while participating, and shall not be
3 eligible for a ~~cost-of-living~~ **permanent benefit** increase until the employment which
4 made the person eligible to become a member of the system has been terminated for
5 at least one full calendar year.

6 (2) The system shall maintain subaccounts within this account reflecting the
7 credits attributed to each participant in the plan, but the monies in the account shall
8 remain a part of the fund until disbursed to a participant in accordance with the plan
9 provisions.

10 (3)**(a)** Interest shall not be credited to a participant's subaccount during the
11 period of participation.

12 **(b)**With respect to any individual who was eligible to participate in the
13 Deferred Retirement Option Plan prior to January 1, 2004, all amounts which remain
14 credited to the individual's subaccount after termination of participation in the plan
15 shall be credited with interest at the end of each plan year at a rate equal to the
16 realized return on the system's portfolio for that plan year as certified by the system
17 actuary in his actuarial ~~report~~ **valuation**, less one-half of one percent. **After June**
18 **30, 2019, any person covered by the provisions of this Paragraph may make an**
19 **irrevocable election to transfer his subaccount to the self-directed program**
20 **established pursuant to Paragraph (4) of this Subsection by agreeing in writing**
21 **to the provisions of Subparagraph (4)(c) of this Subsection.**

22 **(c)**With respect to any individual who becomes eligible to participate in the
23 Deferred Retirement Option Plan on or after January 1, 2004, **and before**
24 **July 1, 2019**, all amounts which remain credited to the individual's subaccount after
25 termination of participation in the plan shall be placed in liquid asset money market
26 investments at the discretion of the board of trustees. Such subaccounts may be
27 credited with interest at the actual rate of return earned on such subaccount
28 investments less one-fourth of one percent per annum; ~~or at~~

29 **(d)(i)** **At** the option of the system **board of trustees**, the funds **amounts**

1 which remain credited to the individual's subaccount may be credited
2 transferred to an account with a third-party provider subaccounts as herein
3 established: pursuant to the provisions of Paragraph (4) of this Subsection.

4 (ii) As soon as practicable after June 30, 2019, the board shall transfer
5 all individual subaccounts established pursuant to Subparagraph (c) of this
6 Paragraph to the stable value fund of the third-party provider selected in
7 accordance with the provisions of Paragraph (4) of this Subsection.

8 (e) After his subaccount has been transferred to the stable value fund,
9 any person covered by the provisions of this Paragraph may make an
10 irrevocable election to participate in the self-directed portion of the program
11 established pursuant to Paragraph (4) of this Subsection by informing the board
12 of his election to do so and agreeing in writing to the provisions of
13 Subparagraph (4)(c) of this Subsection.

14 (a) ~~The contributing period shall mean that time period when funds are being~~
15 ~~credited to the participant's subaccount which is maintained by the system.~~

16 (b) ~~After the contributing period ends, the balance of the subaccount then~~
17 ~~may be transferred to a self-directed subaccount, which shall be known as the~~
18 ~~investment period. Both subaccounts shall be within the Deferred Retirement Option~~
19 ~~Plan established herein. Management of the funds shall be by the system during the~~
20 ~~contributing period. When the funds are transferred to the self-directed subaccount~~
21 ~~for the investment period, the system is authorized to hire a third party provider. The~~
22 ~~third party provider shall act as an agent of the system for purposes of investing~~
23 ~~balances in the self-directed subaccounts of the participant as directed by the~~
24 ~~participant. The participant shall be given such options that comply with federal law~~
25 ~~for self-directed plans.~~

26 (c) ~~The participant in the self-directed portion of this plan agrees that the~~
27 ~~benefits payable to the participant are not the obligations of the state or the system,~~
28 ~~and that any returns and other rights of the plan are the sole liability and~~
29 ~~responsibility of the participant and the designated provider to which contributions~~

1 have been made. Furthermore, each participant, in accordance with this provision,
2 shall expressly waive his rights as set forth in Article X, Section 29(A) and (B) of the
3 Louisiana Constitution as it relates to his subaccount in the self-directed portion of
4 the plan. By participating in the self-directed portion of the plan, the participant
5 agrees that he and the provider shall be responsible for complying with all applicable
6 provisions of the Internal Revenue Code. The participant also agrees that if any
7 violation of the Internal Revenue Code occurs as a result of the participant's
8 participation in the self-directed portion of the plan, it shall be the sole responsibility
9 and liability of the participant and the provider, not the state or the system. There
10 shall be no liability on the part of and no cause of action of any nature shall arise
11 against the state, the system, or its agents or employees, for any action taken by the
12 participant for choices the participant makes in relationship to the funds in which he
13 chooses to place his subaccount balance.

14 **(4)(a) The board of trustees shall select a third-party provider to**
15 **administer a self-directed investment program for Deferred Retirement Option**
16 **Plan subaccounts. As provided in Item (3)(d)(ii) of this Subsection, the board**
17 **shall transfer the existing money market subaccounts to the third-party**
18 **provider as soon as practicable after June 30, 2019.**

19 **(b) The third-party provider selected shall act as an agent of the system**
20 **for the purpose of investing the balance in the self-directed subaccount of the**
21 **participant as directed by the participant. The participant shall be given**
22 **investment options that comply with federal law for self-directed plans;**
23 **however, the provider shall have as an investment option a stable value fund**
24 **that preserves the participant's principal.**

25 **(c) By participating in the self-directed portion of the program, the**
26 **participant agrees to all of the following:**

27 **(i) That he expressly waives his rights protected by the Constitution of**
28 **Louisiana relative to the interest earned by his Deferred Retirement Option**
29 **Plan account.**

1 (ii) That he and the provider shall be responsible for complying with all
2 applicable provisions of the Internal Revenue Code and that he and the
3 provider, and not the state or the system, bear the sole responsibility and
4 liability for any violation of the Internal Revenue Code that occurs as a result
5 of his participation in the self-directed portion of the program.

6 (iii) That there shall be no liability on the part of and no cause of action
7 of any nature shall arise against the state, the system, or its agents or employees,
8 for any action taken by the participant for choices he makes in relation to the
9 investments in which he chooses to place his account balance.

10 (iv) The benefits payable to the participant are not the obligation of the
11 state or the system, and any returns and other rights of the plan are the sole
12 liability and responsibility of the participant and the provider.

13 (5)(a) With respect to any individual who becomes eligible to participate
14 in the Deferred Retirement Option Plan on or after July 1, 2019, by
15 participating in the plan, he expressly agrees to the provisions of Subparagraph
16 (4)(c) of this Subsection.

17 (b) All amounts which remain credited to the individual's subaccount
18 after termination of participation in the plan shall be transferred to the stable
19 value fund of the third-party provider.

20 G. Upon termination of participation in both the plan and employment, a
21 participant shall:

22 (1) At the participant's option, receive either a ~~lump-sum~~ **lump-sum** payment
23 from the account equal to the amount then credited to his individual subaccount; or
24 disbursements based on his individual subaccount in any manner approved by the
25 board.

26 (2) Begin to receive regular monthly retirement benefits based on the option
27 selected at the time of election to participate in the plan, as adjusted pursuant to
28 Subsection J of this Section.

29 * * *

1 §1312.1. Back-Deferred Retirement Option Program

2 D.(1) * * *

3 (4) The Back-DROP lump sum shall, at the member's election, be distributed
 4 to the member or ~~paid into~~ **transferred to** an individual account and ~~placed in liquid~~
 5 ~~asset money market~~ **for self-directed** investments **as further provided in**
 6 **Subsection E of this Section.** Such account shall be credited with interest at the
 7 actual rate of return earned on such account balance investments.

8 * * *

9 **E.(1) In lieu of receiving a lump-sum benefit payment as provided in**
 10 **Paragraph (D)(4) of this Section, the member may elect to transfer the lump-**
 11 **sum payment into a self-directed account managed by a third-party provider.**

12 **(2) The board may hire a third-party provider to manage the self-**
 13 **directed accounts authorized by this Subsection. The third-party provider shall**
 14 **act as an agent of the system for purposes of investing balances in the self-**
 15 **directed accounts of the participants as directed by the participants. The**
 16 **participants shall be given investment options that comply with federal law for**
 17 **self-directed plans; however, the provider shall have as an investment option a**
 18 **stable value fund that preserves the participant's principal.**

19 **(3) By electing to participate in the self-directed plan, the Back-DROP**
 20 **participant expressly waives his rights as set forth in Article X, Section 29 of the**
 21 **Constitution of Louisiana as they relate to the benefit in his Back-DROP**
 22 **account. Any participant who elects to transfer the lump-sum Back-DROP**
 23 **payment into a self-directed account agrees to all of the following:**

24 **(a) That the benefits payable to the participant are not the obligation of**
 25 **the state or the system and that any returns and other rights of the participant**
 26 **in the account are the sole liability and responsibility of the participant and the**
 27 **provider to which the lump sum has been transferred.**

28 **(b) That he and the provider shall be responsible for complying with all**
 29 **applicable provisions of the Internal Revenue Code.**

1 ~~under this provision~~ **pursuant to the provisions of this Subparagraph** shall not be
 2 eligible for a cost-of-living adjustment until one full fiscal year after attaining normal
 3 retirement eligibility as ~~set out~~ **provided** in Subparagraph (1)(a) of this Subsection,
 4 nor shall the member be eligible to participate in the Deferred Retirement Option
 5 Plan.

6 (c) Any member who has completed twelve years of creditable service, and
 7 who leaves employment covered by the Municipal Police Employees' Retirement
 8 System before attaining age fifty-five, shall be entitled to a retirement benefit
 9 beginning at age fifty-five.

10 (d) Any member of this system who has received free prior service credit in
 11 this system must have been a contributing member of this system for at least one
 12 year prior to being eligible for a regular retirement benefit.

13 ~~(e)(2)(a)~~ Regardless of age, if a retiree of this system becomes an employee
 14 as defined in R.S. 11:2213, payment of retirement benefits shall be suspended and
 15 the employee and employer shall contribute to the system toward creditable service.

16 ~~(f)(b)~~ Upon termination of employment, the monthly benefit which had been
 17 suspended shall resume being paid to the retiree. ~~The retiree may not change the~~
 18 ~~option which was elected under the original retirement computation.~~

19 ~~(g) Upon termination of employment, the~~ **The** retiree shall receive an
 20 additional retirement benefit based on his additional service rendered since
 21 reemployment using the normal method of computation of benefits or as provided
 22 in Subparagraph ~~(h)(c)~~ of this Paragraph, subject to the following:

23 (i) If the period of additional service was ~~less than thirty-six months~~ **shorter**
 24 **than his average final compensation period**, the average final compensation figure
 25 used to calculate the additional benefit shall be that used to calculate his original
 26 benefit.

27 (ii) If the period of additional service was ~~thirty-six or more months~~ **equal**
 28 **to or longer than his average final compensation period**, the average final
 29 compensation figure used to calculate the additional benefit shall be based on his

1 average compensation earned during the period of additional service.

2 (iii) The option used shall be that applicable to the original benefit. **The**
3 **retiree may not change the option which was elected under the original**
4 **retirement computation.**

5 (iv) The additional benefit shall not exceed an amount which, when combined
6 with the original benefit, equals one hundred percent of the average final
7 compensation figure used to compute the additional benefit.

8 (v) If the member dies or acquires a disability during the period of additional
9 service, he shall be considered as having ~~retired~~ **terminated employment** on the
10 date of death or commencement of disability.

11 (vi) In no event shall an employed retiree who becomes reenrolled in the
12 system ~~under~~ **pursuant to** the provisions of this Section be allowed to participate in
13 the ~~deferred retirement option plan~~ **Deferred Retirement Option Plan.**

14 ~~(h)~~ **(c)** Initial benefit option:

15 (i) The retiree may elect to receive the additional retirement benefit payable
16 pursuant to Subparagraph ~~(g)~~ **(b)** of this Paragraph as an initial benefit plus a reduced
17 monthly retirement allowance equal to the actuarially equivalent amount of his
18 maximum additional retirement benefit.

19 (ii) The initial benefit, as elected by the retiree, shall not exceed an amount
20 equal to thirty-six payments of his maximum additional retirement benefit.

21 (iii) The retiree, at his option, shall receive the initial benefit **provided**
22 **pursuant to this Subparagraph** as a lump-sum payment, or it shall be placed in a
23 ~~liquid asset money market~~ **an** investment account established **and administered** in
24 accordance with the ~~same~~ procedures set forth in R.S. 11:2221 **based on the**
25 **establishment date of the retiree's investment account.**

26 (iv) The additional benefit received by the retiree and the beneficiary or
27 survivor shall be actuarially reduced by a prorated amount calculated to offset the
28 cost of the initial benefit payment.

29 (v) Cost-of-living adjustments shall not be payable on the retiree's initial

1 benefit.

2 ~~(2)~~**(3)** When any municipality merges its active members into the system, the
 3 persons merged shall not be eligible to receive a benefit from the system until one
 4 year after the effective date of the merger. However, if a member who is merged into
 5 the system; would normally be eligible to retire based on his age and total years of
 6 creditable service ~~credit~~, prior to one year after the merger, he may retire, and the
 7 benefits shall be the obligation of the municipality until one year after the date of the
 8 merger.

9 * * *

10 §2221. Deferred Retirement Option Plan

11 * * *

12 F.~~(1)~~ A person who participates in this program plan shall not be eligible to
 13 receive a cost-of-living ~~increase~~ adjustment while participating and shall not be
 14 eligible until his employment which makes him eligible to be a member of this
 15 system has been terminated for at least one full fiscal year.

16 ~~(2)~~**G.(1)** With respect to any individual who was eligible to participate in the
 17 Deferred Retirement Option Plan prior to January 1, 2004, after a person terminates
 18 his participation in this program plan, his individual account balance in the plan
 19 shall earn interest at a rate of one-half of one percent below the percentage rate of
 20 return of the system's investment portfolio as certified by the actuary in his yearly
 21 ~~evaluation~~ valuation report, said interest to be credited to his individual account
 22 balance on an annual basis. After June 30, 2019, any person covered by the
 23 provisions of this Paragraph may make an irrevocable election to transfer his
 24 account to the self-directed program established pursuant to Paragraph (4) of
 25 this Subsection by agreeing in writing to the provisions of Subparagraph (4)(c)
 26 of this Subsection.

27 ~~(2)~~**(a)** With respect to any individual who becomes eligible to participate in
 28 the Deferred Retirement Option Plan on or after January 1, 2004, and before
 29 July 1, 2019, except as provided in Subparagraph ~~(d)~~**(b)** of this Paragraph and

1 Paragraph (3) of this Subsection, all amounts which remain credited to the
2 individual's ~~subaccount~~ account after termination of participation in the plan shall
3 be placed in liquid asset money market investments at the discretion of the board of
4 trustees. Such account ~~balances~~ balance may be credited with interest at the actual
5 rate of return earned on such account balance investments less one-fourth of one
6 percent per annum; ~~or at~~.

7 (b)(i) At the option of the system board of trustees, the funds amounts
8 which remain credited to the individual's account may be credited transferred
9 to ~~subaccounts as herein~~ an account with a third-party provider established:
10 pursuant to the provisions of Paragraph (4) of this Subsection.

11 (ii) As soon as practicable after June 30, 2019, the board shall transfer
12 all individual accounts established pursuant to this Paragraph to the stable
13 value fund of the third-party provider selected in accordance with the
14 provisions of Paragraph (4) of this Subsection.

15 (c) After his account has been transferred to the stable value fund, any
16 person covered by the provisions of this Paragraph may make an irrevocable
17 election to participate in the self-directed portion of the program established
18 pursuant to Paragraph (4) of this Subsection by informing the board of his
19 election to do so and agreeing in writing to the provisions of Subparagraph
20 (4)(c) of this Subsection.

21 (a) ~~The contributing period shall mean that time period when funds are being~~
22 ~~credited to the participant's subaccount which is maintained by the system.~~

23 (b) ~~After the contributing period ends, the balance of the subaccount then~~
24 ~~may be transferred to a self-directed subaccount, which shall be known as the~~
25 ~~investment period. Both subaccounts shall be within the Deferred Retirement Option~~
26 ~~Plan established herein. Management of the funds shall be by the system during the~~
27 ~~contributing period. When the funds are transferred to the self-directed subaccount~~
28 ~~for the investment period, the system is authorized to hire a third party provider. The~~
29 ~~third party provider shall act as an agent of the system for purposes of investing~~

1 ~~balances in the self-directed subaccounts of the participant as directed by the~~
2 ~~participant. The participant shall be given such options that comply with federal law~~
3 ~~for self-directed plans.~~

4 ~~(c) The participant in the self-directed portion of this plan agrees that the~~
5 ~~benefits payable to the participant are not the obligations of the state or the system,~~
6 ~~and that any returns and other rights of the plan are the sole liability and~~
7 ~~responsibility of the participant and the designated provider to which contributions~~
8 ~~have been made. Furthermore, each participant, in accordance with this provision,~~
9 ~~shall expressly waive his rights as set forth in Article X, Section 29(A) and (B) of the~~
10 ~~Louisiana Constitution as it relates to his subaccount in the self-directed portion of~~
11 ~~the plan. By participating in the self-directed portion of the plan, the participant~~
12 ~~agrees that he and the provider shall be responsible for complying with all applicable~~
13 ~~provisions of the Internal Revenue Code. The participant also agrees that if any~~
14 ~~violation of the Internal Revenue Code occurs as a result of the participant's~~
15 ~~participation in the self-directed portion of the plan, it shall be the sole responsibility~~
16 ~~and liability of the participant and the provider, not the state or the system. There~~
17 ~~shall be no liability on the part of and no cause of action of any nature shall arise~~
18 ~~against the state, the system, or its agents or employees, for any action taken by the~~
19 ~~participant for choices the participant makes in relationship to the funds in which he~~
20 ~~chooses to place his subaccount balance.~~

21 ~~(d)(i)(3)(a)(i)~~ Notwithstanding any provision of ~~this~~ Paragraph **(2) of this**
22 ~~Subsection~~ to the contrary, any individual who became ~~or becomes~~ eligible to
23 participate in the Deferred Retirement Option Plan on or after January 1, 2004, **and**
24 **before July 1, 2019,** may make an irrevocable written election to waive his rights
25 as protected by the Constitution of Louisiana relative to the interest earned by his
26 Deferred Retirement Option Plan account. For any ~~such~~ person who makes such an
27 irrevocable election, upon termination of participation in the plan, his individual
28 account balance in the plan shall earn interest at a rate of one-half of one percent
29 below the percentage rate of return of the system's investment portfolio for each

1 fiscal year as certified by the system's actuary in ~~the actuarial~~ **his yearly valuation**
2 report. However, by making such an election, the person shall expressly
3 acknowledge that his account shall be debited in the event the system's investment
4 portfolio experiences a rate of return of less than a positive one-half of one percent,
5 ~~or~~ **including** a negative earnings rate. The member shall further expressly
6 acknowledge his consent to having the value of his account balance permanently
7 reduced as a result of the devaluation of system assets caused by such a rate. As a
8 precondition of making this election, the member shall expressly acknowledge his
9 understanding of the possibility of such account reductions. If an account is required
10 to be debited and insufficient monies are available in the account for this purpose,
11 the member's monthly retirement benefit shall be suspended or reduced until such
12 time as such debit has been recouped in full by the system.

13 (ii) The provisions of this Subparagraph shall apply prospectively only,
14 beginning July 1, 2008, **and shall terminate June 30, 2019.** ~~Any member who~~
15 ~~participated in the Deferred Retirement Option Plan between January 1, 2004, and~~
16 ~~the effective date of this Subparagraph may make the election authorized by this~~
17 ~~Subparagraph only within sixty days after the effective date of this Subparagraph.~~
18 ~~Any member who becomes eligible for participation in the Deferred Retirement~~
19 ~~Option Plan after the effective date of this Subparagraph, may only make the election~~
20 ~~authorized herein prior to participation in the plan.~~

21 ~~(iii)~~**(b)** Any individual who does not elect to waive his rights pursuant to ~~this~~
22 Subparagraph **(a) of this Paragraph** shall continue to be governed by the provisions
23 of this Subsection which are otherwise applicable to individuals who became or
24 ~~becomes~~ **become** eligible to participate in the Deferred Retirement Option Plan on
25 or after January 1, 2004, **and before July 1, 2019.**

26 ~~(iv)~~**(c)** The board of trustees may make, alter, amend, and promulgate rules
27 necessary for the implementation and administration of this ~~Subparagraph~~
28 **Paragraph.**

29 **(d) After June 30, 2019, any person covered by the provisions of this**

1 Paragraph may make an irrevocable election to transfer his account to the self-
2 directed program established pursuant to Paragraph (4) of this Subsection by
3 agreeing in writing to the provisions of Subparagraph (4)(c) of this Subsection.

4 (4)(a) The board of trustees shall select a third-party provider to
5 administer a self-directed investment program for Deferred Retirement Option
6 Plan accounts. As provided in Item (2)(a)(ii) of this Subsection, the board shall
7 transfer the existing money market accounts to the third-party provider as soon
8 as practicable after June 30, 2019.

9 (b) The third-party provider selected shall act as an agent of the system
10 for the purpose of investing the balance in the self-directed account of the
11 participant as directed by the participant. The participant shall be given
12 investment options that comply with federal law for self-directed plans;
13 however, the provider shall have as an investment option a stable value fund
14 that preserves the participant's principal.

15 (c) By participating in the self-directed portion of the program, the
16 participant agrees to all of the following:

17 (i) That he expressly waives his rights protected by the Constitution of
18 Louisiana relative to the interest earned by his Deferred Retirement Option
19 Plan account.

20 (ii) That he and the provider shall be responsible for complying with all
21 applicable provisions of the Internal Revenue Code and that he and the
22 provider, and not the state or the system, bear the sole responsibility and
23 liability for any violation of the Internal Revenue Code that occurs as a result
24 of his participation in the self-directed portion of the program.

25 (iii) That there shall be no liability on the part of and no cause of action
26 of any nature shall arise against the state, the system, or its agents or employees,
27 for any action taken by the participant for choices he makes in relation to the
28 investments in which he chooses to place his account balance.

29 (iv) The benefits payable to the participant are not the obligation of the

1 state or the system, and any returns and other rights of the plan are the sole
2 liability and responsibility of the participant and the provider.

3 (5)(a) With respect to any individual who becomes eligible to participate
4 in the Deferred Retirement Option Plan on or after July 1, 2019, by
5 participating in the plan, he expressly agrees to the provisions of Subparagraph
6 (4)(c) of this Subsection.

7 (b) All amounts which remain credited to the individual's account after
8 termination of participation in the plan shall be transferred to the stable value
9 fund of the third-party provider.

10 H. Upon termination of employment ~~at the end of the specified period of~~
11 ~~participation,~~ a participant in the program plan may keep his funds on deposit until
12 he chooses to withdraw them. When the participant elects to make a withdrawal
13 from his account, he shall receive, at his option, a ~~lump-sum~~ lump-sum payment
14 of from the account equal to the payments to the account balance, a partial lump-
15 sum payment from the account, or a true annuity based upon his account, or he
16 may elect any other method of payment if approved by the board of trustees. The
17 monthly benefits that were being paid into the ~~fund~~ account during the period of
18 participation shall begin being paid to the retiree.

19 I.(1)~~(a)~~ If a participant dies during the period of participation in the program,
20 ~~and he selected an optional allowance designating his spouse as beneficiary, such~~
21 ~~beneficiary~~ plan, the following shall apply:

22 (a) If the participant's designated beneficiary of the plan account is the
23 participant's surviving spouse, and:

24 (i) The surviving spouse will not receive a monthly survivor annuity
25 because of the participant's death, then the surviving spouse shall receive a
26 lump-sum payment of the participant's account balance within ninety days of
27 the death of the participant.

28 (ii) The surviving spouse will receive a monthly survivor annuity because
29 of the participant's death, then the surviving spouse may elect to keep the funds

1 on deposit until the spouse elects to withdraw the funds. Upon such election to
2 withdraw, the surviving spouse shall receive, at the surviving spouse's option of
3 the beneficiary a lump sum a lump-sum payment of the participant's account
4 balance, a partial lump-sum payment thereof, or a true annuity based upon the
5 account balance, or the beneficiary surviving spouse may elect any other method
6 of payment approved by the board of trustees as if the participant had retired on the
7 date of death; in addition, the normal benefits payable to the designated beneficiary
8 under the option selected shall be payable. The surviving spouse may designate a
9 beneficiary, who will be required to receive a lump-sum payment of the
10 surviving spouse's account balance within ninety days of the death of the
11 surviving spouse.

12 (b) ~~In the event~~ If the participant's designated beneficiary of the plan
13 account is ~~not~~ other than the participant's surviving spouse, and is ~~entitled to~~
14 ~~monthly benefits under the option selected, such:~~

15 (i) The beneficiary will not receive a monthly survivor annuity because
16 of the participant's death, then the beneficiary shall receive a lump-sum
17 payment of the participant's account balance within ninety days of the death of
18 the participant.

19 (ii) The beneficiary will receive a monthly survivor annuity because of
20 the participant's death, then the beneficiary shall receive, at his option, a lump
21 sum payment of the participant's account balance or he may elect to receive the
22 participant's plan account balance ~~in the account~~ under any method that will cause
23 a total distribution of the account over a period not to exceed five ~~years~~, in years,
24 whether by lump-sum payment of the participant's account balance, or partial
25 lump-sum payments, or other substantially equal payments. In addition, the
26 normal benefits payable to the designated beneficiary under the option selected shall
27 become payable. The designated beneficiary may designate a beneficiary, who
28 will be required to receive a lump-sum payment of the designated beneficiary's
29 account balance within ninety days of the death of the designated beneficiary.

1 (c) If a participant whose account is not invested with the third-party
 2 provider pursuant to Paragraph (F)(4) of this Subsection dies after June 30,
 3 2019, while participating in the plan and the designated beneficiary of his plan
 4 account balance is not required to withdraw that account balance in a lump-
 5 sum, the account balance shall be transferred to the stable value fund of the
 6 self-directed program unless the beneficiary elects to invest some or all of the
 7 account balance in the self-directed portion of the program pursuant to the
 8 requirements set forth in Paragraph (G)(4) of this Section.

9 ~~(e)~~**(d)** If there is no designated beneficiary, a ~~lump sum~~ **lump-sum** payment
 10 of the participant's account balance shall be paid to his estate.

11 (2)(a) If a participant terminates employment prior to the end of the specified
 12 period of participation he shall receive, at his option, a ~~lump sum~~ **lump-sum**
 13 payment from the account equal to the ~~payments to the account,~~ **balance in the**
 14 **account** or a true annuity based upon his account balance, or he may elect any other
 15 method of payment if approved by the board of trustees.

16 (b) The monthly benefits that were paid into the ~~fund~~ **account** during the
 17 period of participation shall begin being paid to the retiree.

18 J.~~(1)~~ If employment is not terminated at the end of the period specified for
 19 participation, payments into the account shall cease. Payment from the account shall
 20 not be made until employment is terminated; nor shall the monthly benefits being
 21 paid into the ~~fund~~ **account** during the period of participation be payable to the
 22 individual until he terminates employment.

23 ~~(2) Upon termination of employment a member shall receive, at his option,~~
 24 ~~a lump sum payment from the account equal to the payments to the account, or a true~~
 25 ~~annuity based upon his account balance, or he may elect any other method of~~
 26 ~~payment if approved by the board of trustees.~~

27 K. The following shall also apply if employment is not terminated at the end
 28 of the period of participation:

29 (1) If employment is not terminated at the end of the period specified for

1 participation, ~~he~~ **the participant** shall resume active contributing membership in the
2 system.

3 (2) Upon termination of employment, the monthly benefits which were being
4 paid to the ~~fund~~ **account** shall begin to be paid to ~~him~~ **the participant**. He may not
5 change the ~~option~~ **optional allowance** which was originally selected **pursuant to**
6 **R.S. 11:2224 when he began participation in the plan.**

7 (3) Upon termination of employment, he shall receive an additional
8 retirement benefit based on his additional service rendered since termination of
9 participation in the ~~fund~~ **plan**, using the normal method of computation of benefit,
10 subject to the following:

11 (a) If his period of additional service was ~~less than thirty-six months~~ **shorter**
12 **than his average compensation period**, the average final compensation figure used
13 to calculate the additional benefit shall be that used to calculate his original benefit.

14 (b) If his period of additional service was ~~thirty-six or more months~~ **equal to**
15 **or longer than his average final compensation period**, the average final
16 compensation figure used to calculate the additional benefit shall be based on his
17 compensation during the period of additional service.

18 (c) The option used shall be that applicable to the original benefit, **as**
19 **provided in Paragraph (2) of this Subsection.**

20 (d) The additional benefit shall not exceed an amount which, when combined
21 with the original benefit, equals one hundred percent of the average final
22 compensation figure used to compute the additional benefit.

23 (4)(a) If ~~he~~ **the participant** dies or acquires a disability during the period of
24 additional service, he shall be considered as having ~~retired~~ **terminated employment**
25 on the date of death or commencement of disability.

26 (b) In the event he dies, his designated beneficiary, or if none, his estate, shall
27 receive payment from his account in accordance with the provisions of Subsection I
28 of this Section.

29 L. A retiree whose benefit has been suspended ~~under~~ **pursuant to** the

1 provisions of R.S. ~~11:2220(A)(1)(e)~~ **11:2220(A)(2)(a)** shall not be eligible to
 2 participate in the ~~deferred retirement option plan~~ **Deferred Retirement Option**
 3 **Plan**.

4 * * *

5 **N. The board of trustees shall promulgate rules in accordance with the**
 6 **Administrative Procedure Act to approve any other methods of payment**
 7 **authorized by but not expressly provided in this Section. Once promulgated,**
 8 **the rules shall be considered plan provisions for purposes of compliance with**
 9 **requirements of the Internal Revenue Code and associated regulations.**

10 Section 2. This Act shall become effective on June 30, 2019; if vetoed by the
 11 governor and subsequently approved by the legislature, this Act shall become effective on
 12 June 30, 2019, or on the day following such approval by the legislature, whichever is later.

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

DIGEST

SB 16 Engrossed

2019 Regular Session

Long

STATE POLICE:

Present law 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 for a member who does not participate in Back-DROP to receive a reduced benefit plus an initial lump-sum benefit (IBO). Requires the lump-sum plus the initial benefit to be actuarially equivalent to the benefit the member would otherwise receive.

Present law provides that the 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 lump sums. Authorizes the member to transfer the member's lump sum to a self-directed account.

SCHOOL EMPLOYEES and MUNICIPAL POLICE:

Present law relative to the Louisiana School Employees' Retirement System (LSERS) and 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 who did not participate in DROP, 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 system board to contract with a third-party provider to administer a self-directed investment program for these lump-sum accounts.

Proposed law changes the present law authorization to a mandate.

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 lump-sum accounts shall be transferred to the Stable Value Fund of the self-directed program for investment.

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

ALL SYSTEMS:

For all three 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. 11:1152(F) and (G), 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))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Retirement to the original bill

1. Adds LSERS to the bill.