

SENATE BILL NO. 16

BY SENATOR LONG

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

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AN ACT

To amend and reenact R.S. 11:1152(F) and (G), 1312.1(D)(4), 2220(A), and 2221(F) and (H) through (L) and to enact R.S. 11:1312.1(E) and 2221(G) and (N), relative to lump-sum benefits of the Louisiana School Employees' Retirement System, the Louisiana State Police Retirement System, and the Municipal Police Employees' Retirement System; to provide relative to lump-sum distributions; to provide for transfers to a third-party investment services provider; to provide relative to contracts for a third-party provider; to provide relative to the rights, duties, and obligations of participants, providers, the system, and the state; to provide for an effective date; and to provide for related matters.

Notice of intention to introduce this Act has been published.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 11:1152(F) and (G), 1312.1(D)(4), 2220(A), and 2221(F) and (H) through (L) are hereby amended and reenacted and R.S. 11:1312.1(E) and 2221(G) and (N) are hereby enacted to read as follows:

§1152. Deferred Retirement Option Plan

\* \* \*

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

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

1 provisions.

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

4 (b) With respect to any individual who was eligible to participate in the  
5 Deferred Retirement Option Plan prior to January 1, 2004, all amounts which remain  
6 credited to the individual's subaccount after termination of participation in the plan  
7 shall be credited with interest at the end of each plan year at a rate equal to the  
8 realized return on the system's portfolio for that plan year as certified by the system  
9 actuary in his actuarial ~~report~~ valuation, less one-half of one percent. After June 30,  
10 2019, any person covered by the provisions of this Paragraph may make an  
11 irrevocable election to transfer his subaccount to the self-directed program  
12 established pursuant to Paragraph (4) of this Subsection by agreeing in writing  
13 to the provisions of Subparagraph (4)(c) of this Subsection.

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

21 (d)(i) At the option of the system board of trustees, the funds amounts  
22 which remain credited to the individual's subaccount may be credited  
23 transferred to an account with a third-party provider subaccounts as herein  
24 established: pursuant to the provisions of Paragraph (4) of this Subsection.

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

29 (e) After his subaccount has been transferred to the stable value fund,  
30 any person covered by the provisions of this Paragraph may make an

1 irrevocable election to participate in the self-directed portion of the program  
2 established pursuant to Paragraph (4) of this Subsection by informing the board  
3 of his election to do so and agreeing in writing to the provisions of  
4 Subparagraph (4)(c) of this Subsection.

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

7 (b) ~~After the contributing period ends, the balance of the subaccount then~~  
8 ~~may be transferred to a self-directed subaccount, which shall be known as the~~  
9 ~~investment period. Both subaccounts shall be within the Deferred Retirement Option~~  
10 ~~Plan established herein. Management of the funds shall be by the system during the~~  
11 ~~contributing period. When the funds are transferred to the self-directed subaccount~~  
12 ~~for the investment period, the system is authorized to hire a third party provider. The~~  
13 ~~third party provider shall act as an agent of the system for purposes of investing~~  
14 ~~balances in the self-directed subaccounts of the participant as directed by the~~  
15 ~~participant. The participant shall be given such options that comply with federal law~~  
16 ~~for self-directed plans.~~

17 (c) ~~The participant in the self-directed portion of this plan agrees that the~~  
18 ~~benefits payable to the participant are not the obligations of the state or the system,~~  
19 ~~and that any returns and other rights of the plan are the sole liability and~~  
20 ~~responsibility of the participant and the designated provider to which contributions~~  
21 ~~have been made. Furthermore, each participant, in accordance with this provision,~~  
22 ~~shall expressly waive his rights as set forth in Article X, Section 29(A) and (B) of the~~  
23 ~~Louisiana Constitution as it relates to his subaccount in the self-directed portion of~~  
24 ~~the plan. By participating in the self-directed portion of the plan, the participant~~  
25 ~~agrees that he and the provider shall be responsible for complying with all applicable~~  
26 ~~provisions of the Internal Revenue Code. The participant also agrees that if any~~  
27 ~~violation of the Internal Revenue Code occurs as a result of the participant's~~  
28 ~~participation in the self-directed portion of the plan, it shall be the sole responsibility~~  
29 ~~and liability of the participant and the provider, not the state or the system. There~~  
30 ~~shall be no liability on the part of and no cause of action of any nature shall arise~~

1           ~~against the state, the system, or its agents or employees, for any action taken by the~~  
2           ~~participant for choices the participant makes in relationship to the funds in which he~~  
3           ~~chooses to place his subaccount balance.~~

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 subaccounts. As provided in Item (3)(d)(ii) of this Subsection, the board  
7           shall transfer the existing money market subaccounts to the third-party  
8           provider as soon 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 subaccount 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  
30          state or the system, and any returns and other rights of the plan are the sole

1 liability and responsibility of the participant and the provider.

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

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

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

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

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

18 \* \* \*

19 §1312.1. Back-Deferred Retirement Option Program

20 D.(1) \* \* \*

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

26 \* \* \*

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

30 **(2) The board may hire a third-party provider to manage the self-**

1 directed accounts authorized by this Subsection. The third-party provider shall  
 2 act as an agent of the system for purposes of investing balances in the self-  
 3 directed accounts of the participants as directed by the participants. The  
 4 participants shall be given investment options that comply with federal law for  
 5 self-directed plans; however, the provider shall have as an investment option a  
 6 stable value fund that preserves the participant's principal.

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

12 (a) That the benefits payable to the participant are not the obligation of  
 13 the state or the system and that any returns and other rights of the participant  
 14 in the account are the sole liability and responsibility of the participant and the  
 15 provider to which the lump sum has been transferred.

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

18 (c) That if any violation of the Internal Revenue Code occurs as a result  
 19 of the participant's decision to transfer his Back-DROP lump-sum payment into  
 20 a self-directed account, it shall be the sole responsibility and liability of the  
 21 participant and the provider and not of the state or the system.

22 (4) There shall be no liability on the part of and no cause of action of any  
 23 nature shall arise against the state, the system, or the agents or employees of the  
 24 state or the system for any action taken by the participant or for choices the  
 25 participant makes in relation to the investment options in which he chooses to  
 26 place his account balance.

27 \* \* \*

28 §2220. Benefits; contribution limit

29 A. Eligibility for normal retirement, early retirement, and limitations.

30 (1)(a) Any member of this system who has completed at least twenty-five

1 years of **creditable** service regardless of age, or any member who has completed at  
2 least twenty years **of creditable** service and has attained the age of fifty years, or any  
3 member who has completed at least twelve years **of creditable** service and has  
4 attained age fifty-five, shall be entitled to retire from service and upon such  
5 retirement shall be paid a retirement allowance equal to three and one-third percent  
6 of his average final compensation multiplied by his years of creditable service not  
7 to exceed one hundred percent of his average final compensation.

8 (b) Any member who has completed twenty or more years of creditable  
9 service, and who leaves employment covered by the Municipal Police Employees'  
10 Retirement System before attaining age fifty, shall be entitled to a retirement benefit  
11 beginning at age fifty. However, any member who has completed twenty years of  
12 creditable service shall be entitled to elect early retirement and receive an actuarially  
13 reduced retirement benefit. ~~This provision~~ **The provisions of this Subparagraph**  
14 shall not be construed to relieve any municipality of the obligation under any merger  
15 agreement of paying benefits to merged members until the attainment of eligibility  
16 for normal or early retirement in this system. Additionally, any member retiring  
17 ~~under this provision~~ **pursuant to the provisions of this Subparagraph** shall not be  
18 eligible for a cost-of-living adjustment until one full fiscal year after attaining normal  
19 retirement eligibility as ~~set out~~ **provided** in Subparagraph (1)(a) of this Subsection,  
20 nor shall the member be eligible to participate in the Deferred Retirement Option  
21 Plan.

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

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

29 ~~(e)(2)(a)~~ Regardless of age, if a retiree of this system becomes an employee  
30 as defined in R.S. 11:2213, payment of retirement benefits shall be suspended and

1 the employee and employer shall contribute to the system toward creditable service.

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

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

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

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

17 (iii) The option used shall be that applicable to the original benefit. The  
 18 retiree may not change the option which was elected under the original  
 19 retirement computation.

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

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

29 ~~(h)~~ (c) Initial benefit option:

30 (i) The retiree may elect to receive the additional retirement benefit payable



1 pursuant to Subparagraph ~~(g)~~ **(b)** of this Paragraph as an initial benefit plus a reduced  
2 monthly retirement allowance equal to the actuarially equivalent amount of his  
3 maximum additional retirement benefit.

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

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

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

14 (v) Cost-of-living adjustments shall not be payable on the retiree's initial  
15 benefit.

16 ~~(2)~~**(3)** When any municipality merges its active members into the system, the  
17 persons merged shall not be eligible to receive a benefit from the system until one  
18 year after the effective date of the merger. However, if a member who is merged into  
19 the system; would normally be eligible to retire based on his age and total years of  
20 **creditable** service ~~credit~~, prior to one year after the merger, he may retire, and the  
21 benefits shall be the obligation of the municipality until one year after the date of the  
22 merger.

23 \* \* \*

24 §2221. Deferred Retirement Option Plan

25 \* \* \*

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

30 ~~(2)~~**G.(1)** With respect to any individual who was eligible to participate in the

1           Deferred Retirement Option Plan prior to January 1, 2004, after a person terminates  
 2           his participation in this ~~program plan~~, his individual account balance in the plan  
 3           shall earn interest at a rate of one-half of one percent below the percentage rate of  
 4           return of the system's investment portfolio as certified by the actuary in his yearly  
 5           ~~evaluation~~ valuation report, said interest to be credited to his individual account  
 6           balance on an annual basis. After June 30, 2019, any person covered by the  
 7           provisions of this Paragraph may make an irrevocable election to transfer his  
 8           account to the self-directed program established pursuant to Paragraph (4) of  
 9           this Subsection by agreeing in writing to the provisions of Subparagraph (4)(c)  
 10           of this Subsection.

11           (2)(a) With respect to any individual who becomes eligible to participate in  
 12           the Deferred Retirement Option Plan on or after January 1, 2004, and before  
 13           July 1, 2019, except as provided in Subparagraph ~~(d)~~(b) of this Paragraph and  
 14           Paragraph (3) of this Subsection, all amounts which remain credited to the  
 15           individual's ~~subaccount~~ account after termination of participation in the plan shall  
 16           be placed in liquid asset money market investments at the discretion of the board of  
 17           trustees. Such account ~~balances~~ balance may be credited with interest at the actual  
 18           rate of return earned on such account balance investments less one-fourth of one  
 19           percent per annum; ~~or at~~.

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

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

28           (c) After his account has been transferred to the stable value fund, any  
 29           person covered by the provisions of this Paragraph may make an irrevocable  
 30           election to participate in the self-directed portion of the program established

1 pursuant to Paragraph (4) of this Subsection by informing the board of his  
2 election to do so and agreeing in writing to the provisions of Subparagraph  
3 (4)(c) of this Subsection.

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

6 ~~(b) After the contributing period ends, the balance of the subaccount then~~  
7 ~~may be transferred to a self-directed subaccount, which shall be known as the~~  
8 ~~investment period. Both subaccounts shall be within the Deferred Retirement Option~~  
9 ~~Plan established herein. Management of the funds shall be by the system during the~~  
10 ~~contributing period. When the funds are transferred to the self-directed subaccount~~  
11 ~~for the investment period, the system is authorized to hire a third party provider. The~~  
12 ~~third party provider shall act as an agent of the system for purposes of investing~~  
13 ~~balances in the self-directed subaccounts of the participant as directed by the~~  
14 ~~participant. The participant shall be given such options that comply with federal law~~  
15 ~~for self-directed plans.~~

16 ~~(c) The participant in the self-directed portion of this plan agrees that the~~  
17 ~~benefits payable to the participant are not the obligations of the state or the system,~~  
18 ~~and that any returns and other rights of the plan are the sole liability and~~  
19 ~~responsibility of the participant and the designated provider to which contributions~~  
20 ~~have been made. Furthermore, each participant, in accordance with this provision,~~  
21 ~~shall expressly waive his rights as set forth in Article X, Section 29(A) and (B) of the~~  
22 ~~Louisiana Constitution as it relates to his subaccount in the self-directed portion of~~  
23 ~~the plan. By participating in the self-directed portion of the plan, the participant~~  
24 ~~agrees that he and the provider shall be responsible for complying with all applicable~~  
25 ~~provisions of the Internal Revenue Code. The participant also agrees that if any~~  
26 ~~violation of the Internal Revenue Code occurs as a result of the participant's~~  
27 ~~participation in the self-directed portion of the plan, it shall be the sole responsibility~~  
28 ~~and liability of the participant and the provider, not the state or the system. There~~  
29 ~~shall be no liability on the part of and no cause of action of any nature shall arise~~  
30 ~~against the state, the system, or its agents or employees, for any action taken by the~~

1 participant for choices the participant makes in relationship to the funds in which he  
 2 chooses to place his subaccount balance.

3 ~~(d)(3)(a)(i)~~ Notwithstanding any provision of ~~this~~ Paragraph **(2) of this**  
 4 **Subsection** to the contrary, any individual who became ~~or becomes~~ eligible to  
 5 participate in the Deferred Retirement Option Plan on or after January 1, 2004, **and**  
 6 **before July 1, 2019**, may make an irrevocable written election to waive his rights  
 7 as protected by the Constitution of Louisiana relative to the interest earned by his  
 8 Deferred Retirement Option Plan account. For any ~~such~~ person who makes such an  
 9 irrevocable election, upon termination of participation in the plan, his individual  
 10 account balance in the plan shall earn interest at a rate of one-half of one percent  
 11 below the percentage rate of return of the system's investment portfolio for each  
 12 fiscal year as certified by the system's actuary in ~~the actuarial~~ **his yearly valuation**  
 13 report. However, by making such an election, the person shall expressly  
 14 acknowledge that his account shall be debited in the event the system's investment  
 15 portfolio experiences a rate of return of less than a positive one-half of one percent,  
 16 ~~or~~ **including** a negative earnings rate. The member shall further expressly  
 17 acknowledge his consent to having the value of his account balance permanently  
 18 reduced as a result of the devaluation of system assets caused by such a rate. As a  
 19 precondition of making this election, the member shall expressly acknowledge his  
 20 understanding of the possibility of such account reductions. If an account is required  
 21 to be debited and insufficient monies are available in the account for this purpose,  
 22 the member's monthly retirement benefit shall be suspended or reduced until such  
 23 time as such debit has been recouped in full by the system.

24 (ii) The provisions of this Subparagraph shall apply prospectively only,  
 25 beginning July 1, 2008, **and shall terminate June 30, 2019**. ~~Any member who~~  
 26 ~~participated in the Deferred Retirement Option Plan between January 1, 2004, and~~  
 27 ~~the effective date of this Subparagraph may make the election authorized by this~~  
 28 ~~Subparagraph only within sixty days after the effective date of this Subparagraph.~~  
 29 ~~Any member who becomes eligible for participation in the Deferred Retirement~~  
 30 ~~Option Plan after the effective date of this Subparagraph, may only make the election~~

1 authorized herein prior to participation in the plan:

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

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

10 **(d) After June 30, 2019, any person covered by the provisions of this**  
11 **Paragraph may make an irrevocable election to transfer his account to the self-**  
12 **directed program established pursuant to Paragraph (4) of this Subsection by**  
13 **agreeing in writing to the provisions of Subparagraph (4)(c) of this Subsection.**

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 accounts. As provided in Item (2)(a)(ii) of this Subsection, the board shall**  
17 **transfer the existing money market accounts to the third-party provider as soon**  
18 **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 account 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.**

30 **(ii) That he and the provider shall be responsible for complying with all**

1 applicable provisions of the Internal Revenue Code and that he and the  
 2 provider, and not the state or the system, bear the sole responsibility and  
 3 liability for any violation of the Internal Revenue Code that occurs as a result  
 4 of his participation in the self-directed portion of the program.

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

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

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

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

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

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

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

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

7                    (ii) The surviving spouse will receive a monthly survivor annuity because  
 8                    of the participant's death, then the surviving spouse may elect to keep the funds  
 9                    on deposit until the spouse elects to withdraw the funds. Upon such election to  
 10                   withdraw, the surviving spouse shall receive, at the surviving spouse's option of  
 11                   the beneficiary a lump sum a lump-sum payment of the participant's account  
 12                   balance, a partial lump-sum payment thereof, or a true annuity based upon the  
 13                   account balance, or the beneficiary surviving spouse may elect any other method  
 14                   of payment approved by the board of trustees as if the participant had retired on the  
 15                   date of death; in addition, the normal benefits payable to the designated beneficiary  
 16                   under the option selected shall be payable. The surviving spouse may designate a  
 17                   beneficiary, who will be required to receive a lump-sum payment of the  
 18                   surviving spouse's account balance within ninety days of the death of the  
 19                   surviving spouse.

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

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

27                   (ii) The beneficiary will receive a monthly survivor annuity because of  
 28                   the participant's death, then the beneficiary shall receive, at his option, a lump  
 29                   sum payment of the participant's account balance or he may elect to receive the  
 30                   participant's plan account balance in the account under any method that will cause

1 a total distribution of the account over a period not to exceed five years, in years,  
 2 whether by lump-sum payment of the participant's account balance, or partial  
 3 lump-sum payments, or other substantially equal payments. In addition, the  
 4 normal benefits payable to the designated beneficiary under the option selected shall  
 5 become payable. The designated beneficiary may designate a beneficiary, who  
 6 will be required to receive a lump-sum payment of the designated beneficiary's  
 7 account balance within ninety days of the death of the designated beneficiary.

8 (c) If a participant whose account is not invested with the third-party  
 9 provider pursuant to Paragraph (F)(4) of this Subsection dies after June 30,  
 10 2019, while participating in the plan and the designated beneficiary of his plan  
 11 account balance is not required to withdraw that account balance in a lump-  
 12 sum, the account balance shall be transferred to the stable value fund of the  
 13 self-directed program unless the beneficiary elects to invest some or all of the  
 14 account balance in the self-directed portion of the program pursuant to the  
 15 requirements set forth in Paragraph (G)(4) of this Section.

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

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

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

25 J.~~(H)~~ If employment is not terminated at the end of the period specified for  
 26 participation, payments into the account shall cease. Payment from the account shall  
 27 not be made until employment is terminated; nor shall the monthly benefits being  
 28 paid into the ~~fund~~ account during the period of participation be payable to the  
 29 individual until he terminates employment.

30 ~~(2) Upon termination of employment a member shall receive, at his option,~~



1 a lump sum payment from the account equal to the payments to the account, or a true  
 2 annuity based upon his account balance, or he may elect any other method of  
 3 payment if approved by the board of trustees.

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

6 (1) If employment is not terminated at the end of the period specified for  
 7 participation, ~~he~~ **the participant** shall resume active contributing membership in the  
 8 system.

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

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

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

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

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

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

29 (4)(a) If ~~he~~ **the participant** dies or acquires a disability during the period of  
 30 additional service, he shall be considered as having ~~retired~~ **terminated employment**

1 on the date of death or commencement of disability.

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

5 L. A retiree whose benefit has been suspended ~~under~~ **pursuant to** the  
6 provisions of R.S. ~~11:2220(A)(1)(c)~~ **11:2220(A)(2)(a)** shall not be eligible to  
7 participate in the ~~deferred retirement option plan~~ **Deferred Retirement Option**  
8 **Plan.**

9 \* \* \*

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

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

\_\_\_\_\_  
PRESIDENT OF THE SENATE

\_\_\_\_\_  
SPEAKER OF THE HOUSE OF REPRESENTATIVES

\_\_\_\_\_  
GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: \_\_\_\_\_