ACT 78 (SB 16)   **2019 Regular Session**   **Long**

STATE POLICE:

Prior law established the Back-Deferred Retirement Option Program (Back-DROP) within the La. State Police Retirement System (Troopers). Provided 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.

New law retains prior law.

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

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

New 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:

Prior law, relative to the Louisiana School Employees' Retirement System (LSERS) and the Municipal Police Employees' Retirement System (MPERS), provided for a Deferred Retirement Option Plan (DROP). Allowed 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.

Prior law also allowed 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. Provided that this selection is the "initial benefit option" (IBO).

Prior law allowed the member to leave his lump-sum account with the system for investment. Specified how the account is invested based on the date the member elected to receive the lump-sum.

Prior law authorized the system board to contract with a third-party provider to administer a self-directed investment program for these lump-sum accounts.

New law changes the prior law authorization to a mandate.

New law provides for transfer of DROP and IBO accounts to a self-directed program established under prior 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.

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

New 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, new 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))