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The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Lauren B. Bailey.

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## DIGEST

### B. Gautreaux (SB 57)

Present law (R.S. 11:62(10)) provides that the employee contribution rate for members of the State Police Pension and Retirement System (system) shall be 8%.

Proposed law increases the employee contribution rate for members of the system to 8.5%.

Present law (R.S. 11:1312) provides for the Deferred Retirement Option Plan (DROP) for the system.

Proposed law repeals present law and provides for an optional retirement benefit program called the Back-Deferred Retirement Option Program (Back-DROP) for the system. Provides that in lieu of receiving a normal retirement benefit pursuant to present law, an eligible member of the system may elect to retire and have his benefits structured, calculated, and paid as provided in proposed law.

Proposed law provides for eligibility, procedures for application, and benefit calculation for a member who chooses to receive a Back-DROP benefit. Provides that an active, contributing member of the system shall be eligible for Back-DROP only if both of the following are satisfied:

- (1) He has accrued more service credit than the minimum required for eligibility for a normal retirement benefit.
- (2) He has attained an age that is greater than the minimum required for eligibility for a normal retirement benefit, if applicable.

Proposed law provides that at the time of retirement, a member who elects to receive a Back-DROP benefit shall select a Back-DROP period to be specified in whole months. Provides that the duration of the Back-DROP period shall not exceed the lesser of 36 months or the number of months of creditable service accrued after the member first attained eligibility for normal retirement. Provides that the Back-DROP period shall be comprised of the most recent calendar days corresponding to the member's employment for which service credit in the system accrued.

Proposed law provides that the Back-DROP benefit shall have two portions: a lump-sum portion and a monthly benefit portion. Provides that the member's Back-DROP monthly benefit shall be calculated pursuant to the provisions applicable for service retirement set forth in present law, subject to the following conditions:

- (1) For purposes of proposed law, creditable service shall not include service credit

reciprocally recognized pursuant to present law (R.S. 11:142).

- (2) Accrued service at retirement shall be reduced by the Back-DROP period.
- (3) The sum of the Back-DROP period and the accrued service credit used to calculate the member's monthly benefit shall not exceed 30 years.
- (4) Final average compensation shall be calculated by excluding all earnings during the Back-DROP period.
- (5) Employer contributions received by the retirement system during the Back-DROP period and any interest that has accrued on employer and employee contributions received during the period shall be retained by the system and shall not be refunded to the member or to the employer.
- (6) Employee contributions received by the retirement system during the Back-DROP period shall be refunded to the member without interest, or deposited directly into the member's Back-DROP account, at the member's election.
- (7) The member's Back-DROP monthly benefit shall be calculated based upon the member's age and service and the system provisions in effect on the last day of creditable service before the Back-DROP period.
- (8) At retirement, the member's maximum monthly retirement benefit payable as a life annuity shall be equal to the Back-DROP monthly benefit.

Proposed law provides that in addition to the monthly benefit received pursuant to proposed law, the member shall be paid a lump-sum benefit equal to the Back-DROP maximum monthly retirement benefit multiplied by the number of months selected as the Back-DROP period.

Proposed law specifies that cost-of-living adjustments shall not be payable on the member's Back-DROP lump sum.

Proposed law repeals obsolete provisions of present law.

Proposed law specifies that the actuarial cost of implementing the benefit provisions of proposed law shall be funded with additional contributions generated by the 0.5% increase in the employee contribution rate contained in proposed law. Provides that the additional actuarial cost, if any, shall be funded with increased employer contributions in compliance with present state constitution.

Proposed law provides that statutory authority for beginning participation in DROP shall cease on 9/30/09. Provides that each member who is participating in DROP on 9/30/09 shall complete his period of DROP participation, subject to the terms and provisions in effect on the date he began DROP participation. Provides that members who have participated in DROP shall

continue to be subject to the terms and provisions of the system in effect on 9/30/09.

Provisions relating to DROP continuation effective September 30, 2009.

Provisions relating to inception of Back-DROP and repeal of DROP effective October 1, 2009.

(Amends R.S. 11:62(10), 1307(E), and 1335(B); adds R.S. 11:1312.1; repeals R.S. 11:1307(C) and 1312)