

## RÉSUMÉ DIGEST

ACT 344 (HB 19)

2025 Regular Session

Kerner

### Benefits

Existing law, applicable to all state and statewide retirement systems, requires reduction of disability benefits if the recipient earns over a certain amount from gainful employment. Requires disability retirees to provide annual earnings statements which detail income earned from employment.

Existing law exempts retirees of the Municipal Police Employees' Retirement System who are age 62 and older from existing law reduction and reporting requirements.

New law adds disability retirees age 62 and older within the Firefighters' Retirement System (FRS) to the exemption.

### Refunds

Existing law requires the member to complete and submit an application in order for employee contributions to be refunded. Requires the application form to be certified by the employer.

Prior law provided that the member's application could not be certified earlier than 30 days after termination or resignation.

New law removes prior law. Provides that no refund will be issued sooner than 30 days after termination. Specifies that the refund is without interest and that the system retains all employer contributions.

### Deferred Retirement Option Plan

Existing law provides for the Deferred Retirement Option Plan (DROP) for members of FRS. Allows a system member with at least 20 years of service credit who is eligible to retire to participate in DROP for up to three years and defer receipt of retirement benefits in lieu of terminating employment. Provides for the accumulation of the benefits in an account that would have been payable if the person had terminated employment.

Prior law provided that neither employer nor employee contributions are paid during DROP participation.

New law requires employers to begin paying employer contributions for DROP participants beginning April 1, 2026.

Existing law requires the member to specify the DROP participation period. Provides that a member can participate in the plan only once.

New law, beginning April 1, 2026, allows a member with at least 28 years of service credit to participate in DROP for a maximum of five years. Allows a member who had at least 28 years of service credit when the member entered into DROP and whose participation began prior to and is participating in DROP on April 1, 2026, the option to extend his participation period to not more than five years.

New law requires the participant to notify the board of trustees, in writing, of his intention to extend his DROP participation no later than 30 days before termination of participation or April 1, 2026, whichever is earlier.

Existing law provides for investment of DROP account funds after DROP participation ceases. Allows a member to elect to have the account invested in liquid asset money market investments or to waive the constitutional protections of his DROP interest and earn the market rate of return of the system's portfolio.

New law provides that upon termination in lieu of existing law, a member may elect to transfer all of the funds from his account or accounts to a self-directed investment account managed by a third-party provider.

### **Self-directed Deferred Retirement Option Plan**

New law requires the FRS board of trustees to engage a third-party provider to administer a self-directed investment program for DROP monies. Allows a member to elect to transfer DROP funds to the program.

New law provides that the third-party provider shall act as an agent of the system for the purpose of investing the balance of the participant's account as directed by the participant.

New law requires the participant to be given investment options that comply with federal law for self-directed plans.

New law requires the provider to have as an investment option a stable value fund that preserves the participant's principal.

New law requires the participant, prior to participating in the self-directed investment program, to make an irrevocable election in writing agreeing to all of the following:

- (1) All the funds in his account or accounts are transferred to the third-party provider.
- (2) That he waive the state constitution's protections relative to the investment earnings of his DROP account.
- (3) That he and the provider shall be responsible for complying with all applicable provisions of the Internal Revenue Code; that he and the provider, and not the state or system, bear the sole responsibility and liability for any violation of the Internal Revenue Code that occurs as a result of his participation in the self-directed investment account.
- (4) That there shall be no liability on the part of and no cause of action of any nature shall arise against the state, the system, or its agents or employees for any action taken by the participant for choices he makes in relation to the investments in which he chooses to place his account balance.
- (5) The benefits payable to the participant are not the obligation of the state or the system and any returns and other rights of the plan are the sole liability and responsibility of the participant and the provider.

### **Administration**

Existing law authorizes the board of trustees to audit any participating employer in order to assure the continued accuracy of data.

New law provides that if an employer fails to properly report employee contributions or pay the correct contributions, the system is entitled to recover all actuarial costs associated with the transaction.

Effective August 1, 2025.

(Amends R.S. 11:221(A)(2) and (C)(2), 2256(E)(1) and (2), and 2257(A), (C), (E), and (G)(3)(a); Adds R.S. 11:2257(L), 2257.1, and 2260(A)(9)(b)(v))