
DIGEST

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HB 58 Engrossed

2016 Regular Session

Leger

Abstract: Restricts payment options for members electing to participate in the Deferred Retirement Option Plan (DROP) in the Firefighters' Pension and Relief Fund in the city of New Orleans (NOFF) and provides relative to investment of the funds in member DROP accounts and interest earned thereon.

Present law establishes the DROP within NOFF. Members may select a participation period of up to five years in the program.

Present law allows a member who participates in DROP to also take an initial lump sum option on his retirement benefit. Proposed law prohibits a member who elects to participate in DROP from also exercising an initial lump sum benefit option at retirement.

Present law provides that upon expiration of the member's participation period or termination of employment, whichever occurs first, interest shall be allocated annually to the member's DROP account. Further provides that the balance of the member's account cannot be diminished or impaired. Proposed law requires the board, upon expiration of DROP participation or termination of employment, to invest DROP account balances in liquid asset money market investments. Provides that interest shall be the actual rate of return earned on the investments.

Proposed law permits members participating in DROP on or after Jan. 1, 2016, to make a written election to waive the interest provisions for DROP account balances provided by proposed law and present law and to authorize debits to his DROP account in order to have his DROP account balance placed into the fund's investment portfolio to earn interest at a rate based on a five-year rolling average of the actuarially determined composite rate of return of the funds, less a two percent administrative fee.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 11:3385.1(D) and (H)(2))

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Retirement to the original bill:

1. Remove proposed law provision that beginning Jan. 1, 2016, administrative fees shall not exceed 2%.

2. Remove discretion for DROP accounts to be placed in liquid asset money market investments after DROP participation.
3. Add provision permitting a member participating in DROP on or after Jan. 1, 2016, to make a written election to place his DROP account into the fund's investment portfolio.