

2016 Regular Session

HOUSE BILL NO. 58

BY REPRESENTATIVE LEGER

RETIREMENT/LOCAL: Provides relative to the Deferred Retirement Option Plan in the Firefighters' Pension and Relief Fund in the city of New Orleans

1 AN ACT

2 To amend and reenact R.S. 11:3385.1(D) and (H)(2), relative to the Deferred Retirement
3 Option Plan in the Firefighters' Pension and Relief Fund in the city of New Orleans;
4 to provide relative to benefit options for members electing to participate in such plan;
5 to provide with respect to account funds and interest thereon; to provide with respect
6 to administrative fees charged to such accounts; and to provide for related matters.

7 Notice of intention to introduce this Act has been published
8 as provided by Article III, Section 13 and Article X, Section
9 29(C) of the Constitution of Louisiana.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 11:3385.1(D) and (H)(2) are hereby amended and reenacted to read
12 as follows:

13 §3385.1. Deferred Retirement Option Plan

14 * * *

15 D. A member may participate in the Deferred Retirement Option Plan only
16 once. A member electing to participate in the Deferred Retirement Option Plan shall
17 not be eligible to receive an initial lump sum benefit provided pursuant to R.S.
18 11:3385.2.

19 * * *

1 H.

2 * * *

3 (2)(a) Beginning January 1, 2015, and continuing each year thereafter, upon
4 expiration of the participation period or termination of employment, if earlier, and
5 each year until the member's DROP account is distributed in its entirety, interest
6 shall be allocated annually to all member DROP accounts based on a five-year
7 rolling average of the composite rate of return of the pension fund as determined by
8 the system actuary, less an administrative fee as determined by the board of trustees.
9 Beginning January 1, 2016, and continuing each year thereafter, the administrative
10 fee assessed pursuant to the provisions of this Subparagraph shall not exceed two
11 percent per annum. Prior to January 1, 2015, interest shall be allocated each year
12 based on the one-year composite rate of return of the pension fund, less an
13 administration fee determined by the board of trustees, not to exceed two percent.
14 The balance of the member's DROP account shall not be diminished or impaired.

15 (b) Notwithstanding the provisions of Subparagraph (a) of this Paragraph,
16 upon expiration of the participation period or termination of employment if earlier,
17 the DROP account may be placed in liquid asset money market investments at the
18 discretion of the board of trustees. The DROP account shall be credited with interest
19 at the actual rate of return earned on such money market investments.

20 * * *

21 Section 2. This Act shall become effective upon signature by the governor or, if not
22 signed by the governor, upon expiration of the time for bills to become law without signature
23 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
24 vetoed by the governor and subsequently approved by the legislature, this Act shall become
25 effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 58 Original

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 is silent as to whether a member who participates in DROP may 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, beginning Jan. 1, 2015, 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 at a rolling 5-year average rate. Further provides that the balance of the member's account cannot be diminished or impaired. Proposed law authorizes the board, at its option, to invest DROP account balances in liquid asset money market investments. Provides that interest, in such event, shall be the actual rate of return earned on the investments.

Present law provides that DROP accounts are to be charged an administrative fee determined by the board of trustees. Proposed law provides that DROP account balances that are not invested in liquid asset money market investments, as provided in proposed law, shall be assessed an administrative fee of not more than 2% per year.

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

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