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## DIGEST

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HB 40 Original

2018 Regular Session

Ivey

**Abstract:** Provides the option to allocate Deferred Retirement Option Plan (DROP) account funds between a system rate account and money market account to members of the Firefighters' Retirement System (FRS) eligible to participate in DROP on or after Jan. 1, 2019, and eliminates board option to place certain funds in a self-directed account.

Present law allows a member of FRS with at least 20 years of service who is eligible for retirement to elect to participate in DROP. Upon entering DROP, the participant's membership in the system terminates and employer and employee contributions are no longer paid. The monthly retirement benefits that would have been payable had the participant entered retirement shall be paid into a DROP account.

For a member who was eligible to participate in DROP before Jan. 1, 2004, present law provides that after the participant terminates employment, his DROP account balance shall earn the same interest rate as the system's investment portfolio, less the cost of merger notes and administrative costs. The account balance may not be diminished or impaired.

For a member who was eligible to participate in DROP on or after Jan. 1, 2004, present law provides that after leaving DROP, the participant may irrevocably elect for his individual account balance to earn the same interest rate as the system's investment portfolio, less the cost of merger notes and administrative costs, provided he waives the protection afforded by present law prohibiting the diminishment or impairment of retirement benefits (system rate account). If the participant does not elect to place his DROP balance in a system rate account, his balance shall be placed in money market investments chosen by the FRS board, to be credited with interest at the actual rate of return earned by the account, less 1/4% (money market account), or the FRS board may choose to place the funds in a self-directed account.

Proposed law eliminates the self-directed account as an option available to the board.

For a member eligible to participate in DROP on or after Jan. 1, 2019, proposed law provides that after leaving DROP, the participant may allocate the balance of his DROP account between a system rate account and a money market account, pursuant to all other conditions of present law. Provides that such allocation shall be a one-time, irrevocable event. If the participant fails to choose an allocation within a prescribed period, the entire balance of his DROP account shall be irrevocably allocated to a money market account.

(Amends R.S. 11:2257(E)-(K); Adds R.S. 11:2257(G))