

2024 Regular Session

HOUSE BILL NO. 41

BY REPRESENTATIVE ADAMS

RETIREMENT/FIREFIGHTERS: Provides relative to the Firefighters' Retirement System

1 AN ACT

2 To amend and reenact R.S. 11:42(B)(3), 2252(5), 2256(B)(3)(a), 2256.1(A), 2257(A) and
3 (C), 2258(E), and 2259(A)(2) and to enact R.S. 11:2254.1(B)(3) and (4), 2256.3, and
4 2256.4, relative to the Firefighters' Retirement System; to provide relative to
5 payment of the system's unfunded accrued liability; to provide relative to conversion
6 of unused leave to service credit; to provide relative to survivor benefits for disabled
7 children; to authorize employers to provide for adjustments to final compensation;
8 to provide for investment of retirement benefits; to provide relative to participation
9 in the Deferred Retirement Option Plan; to provide relative to disability retirements;
10 to authorize changes in beneficiaries; and to provide for related matters.

11 Notice of intention to introduce this Act has been published
12 as provided by Article X, Section 29(C) of the Constitution
13 of Louisiana.

14 Be it enacted by the Legislature of Louisiana:

15 Section 1. R.S. 11:42(B)(3), 2252(5), 2256(B)(3)(a), 2256.1(A), 2257(A) and (C),
16 2258(E), and 2259(A)(2) are hereby amended and reenacted and R.S. 11:2254.1(B)(3) and
17 (4), 2256.3, and 2256.4 are hereby enacted to read as follows:

18 §42. Unfunded accrued liabilities; amortization

19 * * *

1 B. The provisions of this Subsection shall be implemented and accomplished
2 by the governing authorities of the state and statewide public retirement systems as
3 follows:

4 * * *

5 (3)(a) Firefighters' Retirement System. Effective beginning with the 2019
6 valuation, the outstanding balance of the unfunded accrued liability, except
7 unamortized merger bases, shall be frozen, combined, and reamortized ~~over fifteen~~
8 ~~years~~ with payments decreasing by one percent per year. All future actuarial
9 experience gains and losses, contribution gains and losses, gains and losses arising
10 from changes in benefits, and gains and losses arising from changes in assumptions
11 shall be included in the calculation of the normal cost through frozen initial liability
12 funding method.

13 (b) The balance of the frozen unfunded accrued liability as expressed in the
14 system's 2023 valuation shall be reamortized over fifteen years with payments
15 decreasing by one percent per year.

16 * * *

17 §2252. Definitions

18 The following words and phrases, as used in this Chapter, unless a different
19 meaning is plainly required by context, shall have the following meaning:

20 * * *

21 (5) "Average final compensation" shall mean the average annual earned
22 compensation of an employee for any period of thirty-six successive or joined
23 months of service as an employee during which the said earned compensation was
24 the highest. In case of interruption of employment, the thirty-six month period shall
25 be computed by joining employment periods immediately preceding and succeeding
26 the interruption. The earnings to be considered for the thirteenth through the
27 twenty-fourth months shall not exceed one hundred fifteen percent of the earnings
28 for the first through the twelfth months. The earnings to be considered for the final
29 twelve months shall not exceed one hundred fifteen percent of the earnings of the

1 thirteenth through the twenty-fourth months. Average final compensation includes
2 adjustments to average final compensation made pursuant to R.S. 11:2256.3, but
3 such adjustments shall not be considered in applying the earnings limits provided by
4 this Paragraph.

5 * * *

6 §2254.1. Conversion of unused leave to creditable service

7 * * *

8 B.

9 * * *

10 (3) In making such election, the employer shall also elect whether to
11 establish an annual period during which members may convert any unused leave to
12 service credit. If such annual conversion is allowed, the system shall recognize such
13 service credit at the time of the conversion.

14 (4) In making such election, the employer shall elect whether it wishes to
15 have the option of adjusting its leave conversion table on a schedule determined by
16 the system. No employer may use a conversion table that has not been approved by
17 the board of trustees.

18 * * *

19 §2256. Benefits; refund of contributions, application, and payment

20 * * *

21 B.

22 * * *

23 (3)(a) Benefits shall be payable as specified in this Paragraph to any
24 surviving child of a deceased member or retiree if the child has a total physical
25 disability or an intellectual disability at the time of the death of the member or of the
26 retirement of the retiree. The surviving child of a deceased active contributing
27 member, a deceased disability retiree, or a deceased regular retiree, whether under
28 or over the age of eighteen years, shall be entitled to the same benefits, payable in
29 the same manner as are provided in this Section for minor children, ~~if the child has~~

1 ~~a total physical disability or an intellectual disability and had such disability at the~~
2 ~~time of death of the member or retiree, and the child is dependent upon the surviving~~
3 ~~spouse or other legal guardian for subsistence.~~ Benefits payable under the provisions
4 of this Paragraph may be paid in trust as provided in R.S. 11:2256.2.

5 * * *

6 §2256.1. Removal of former spouse as beneficiary; restoration of benefits

7 A. Notwithstanding any other provision of law to the contrary, any retiree
8 may remove a former spouse as a beneficiary of any benefits paid or payable to the
9 former spouse from this system, ~~provided the former spouse consents to such~~
10 ~~removal and the consent is evidenced by a certified court order issued in connection~~
11 ~~with a divorce proceeding relative to the retiree and former spouse.~~

12 * * *

13 §2256.3. Adjustments to final average compensation

14 A. An employer may develop and implement a plan for increasing the
15 average final compensation of its employees in accordance with the provisions of
16 this Section.

17 B. No such plan shall be implemented unless it has been approved by he
18 board of trustees.

19 C. An employer wishing to implement such a plan shall submit a proposed
20 plan to the board of trustees. The plan shall provide:

21 (1) Minimum requirements that an employee would have to meet to be
22 eligible for an increase in average final compensation.

23 (2) A proposal for how the amount of any increase will be determined.

24 (3) A proposal for how the employer will pay for the costs associated with
25 the plan.

26 (4) A statement affirming that the employer is liable for all costs of the plan,
27 including administrative costs incurred by the system.

1 D. The system actuary shall determine the cost of a plan submitted by an
2 employer and shall certify the cost to the board of trustees prior to the board's
3 consideration of the plan.

4 §2256.4. Self-directed benefits account

5 A. Upon the member's separation from employment, the member may
6 instruct the system to deposit all or a portion of his retirement benefit into a
7 self-directed benefits account managed by a third-party provider.

8 B. The board of trustees shall hire a third-party provider to manage the
9 self-directed accounts authorized by this Section. The third-party provider shall act
10 as an agent of the system for purposes of investing balances in the self-directed
11 accounts of the participants as directed by the participants. The participants shall be
12 given investment options that comply with federal law for self-directed plans;
13 however, the provider shall have as an investment option a stable value fund that
14 preserves the participant's principal.

15 C. Any participant agrees to all of the following:

16 (1) That he expressly waives his rights protected by the Constitution of
17 Louisiana relative to the interest earned by his self-directed benefit account.

18 (2) That he and the provider shall be responsible for complying with all
19 applicable provisions of the Internal Revenue Code and that he and the provider,
20 and not the state or the system, bear the sole responsibility and liability for any
21 violation of the Internal Revenue Code that occurs as a result of his deposit of funds
22 into a self-directed benefit account.

23 (3) That there shall be no liability on the part of and no cause of action of
24 any nature shall arise against the state, the system, or its agents or employees for
25 any action taken by the participant for choices he makes in relation to the
26 investments in which he chooses to place his account balance.

27 (4) That the benefits payable to the participant are not the obligation of the
28 state or the system, and any returns and other rights of the plan are the sole liability
29 and responsibility of the participant and the provider.

1 §2257. Deferred Retirement Option Plan

2 A. In lieu of terminating employment and accepting a service retirement
3 allowance under R.S. 11:2256, any member of this system who ~~has not less than~~
4 ~~twenty years of creditable service and who~~ is eligible to receive a service retirement
5 allowance may elect to participate in the deferred retirement option plan and defer
6 the receipt of benefits in accordance with the provisions of this Section.

7 * * *

8 C. The duration of participation in the plan shall be specified and shall not
9 exceed ~~three~~ five years.

10 * * *

11 §2258. Disability retirement

12 * * *

13 E.(1) Should any member who is on disability retirement cease to have a
14 disability as determined by the State Medical Disability Board, the disability benefit
15 being paid by the retirement system shall cease, and the former employing agency
16 shall reemploy the member in ~~the same rank and position that he held at the time of~~
17 ~~the occurrence of his disability, and at the same rate of pay. In the event that no~~
18 ~~such rank and position is available in the fire service of the former employing~~
19 ~~agency, the member shall be reemployed in a comparable position in the~~
20 ~~municipality or parish of the former employing agency if such a position is~~
21 available accordance with recognition of longevity, rank, pay, and benefits as
22 provided for in Title 33 of the Louisiana Revised Statutes of 1950. The
23 examination pursuant to this Subsection is limited to an evaluation of the condition
24 or injury that qualified the retiree for disability retirement.

25 (2) Notwithstanding the provisions of R.S. 11:224, a disability retiree may
26 return to active service for a trial period of not more than eighteen months with no
27 effect other than the suspension of the retirement allowance during the period of
28 reemployment. If he does not work more than eighteen months, the retirement
29 allowance shall be reinstated without the necessity of any reapplication for

1 disability retirement or medical examination, or related matters. In addition, during
 2 this temporary period of employment no changes shall occur with respect to the
 3 Office of Group Benefits coverage. He shall be treated as if he were still receiving
 4 his retirement benefit except that deductions shall be made from his compensation
 5 rather than from his retirement allowance.

* * *

6 §2259. Optional allowances

7 A.

* * *

8 (2) The nomination made pursuant to ~~Option 2, Option 3, or Option 4~~ an
 9 option as provided in this Subsection is ~~irrevocable on and after the date that the~~
 10 ~~first of any benefit payments becomes due~~ revokable at any time except with
 11 regards to a spouse who has a community property interest in a benefit.

* * *

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 41 Original

2024 Regular Session

Adams

Abstract: Provides relative to the Firefighters' Retirement System (FRS), including provisions for: payment of the system's UAL; conversion of unused leave; survivor benefits for disabled children; adjustments to final compensation; investment of retirement benefits; participation in DROP; disability retirements; and changes in beneficiaries.

Present law, effective beginning with the 2019 valuation, freezes the outstanding balance of the unfunded accrued liability of FRS and reamortized the liability over 15 years. Provides that subsequent gains and losses are included in the calculation of the normal cost through frozen initial liability funding method.

Proposed law provides for reamortization of the balance of the frozen UAL over 15 years.

Present law provides that survivor payments are payable to a child who has a total physical disability or an intellectual disability and had such disability at the time of death of the member or retiree, and who is dependent upon the surviving spouse or other legal guardian for subsistence.

Proposed law provides that survivor benefits are payable to such a child if the child had the disability at the time of retirement of the retiree, rather than the death of the retiree, and

removes the requirement that the child be dependent on the surviving spouse or other legal guardian.

Proposed law provides for a self-directed investment account and authorizes retirees to direct the system to deposit retirement benefits into such accounts. Provides as follows with respect to such accounts:

- (1) Self-directed benefits accounts shall be managed by a third-party provider hired by the board of trustees.
- (2) Requires that participants be given investment options that comply with federal law for self-directed plans including a stable value fund that preserves the participant's principal.
- (3) Requires that a participant agree to the following:
 - (a) That he expressly waives his rights protected by the state constitution relative to the interest earned by his self-directed benefit account.
 - (b) That he and the provider shall be responsible for complying with all applicable provisions of the Internal Revenue Code.
 - (c) 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.
 - (d) That 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.

Present law provides for a Deferred Retirement Option Plan (DROP) under which in lieu of terminating employment, a member of this system continues to work and defers receipt of retirement benefits. Provides that to be eligible for participation in DROP, the member shall be eligible for retirement and have not less than 20 years of creditable service.

Proposed law removes the requirement that the member have 20 years of creditable service.

Present law provides for a maximum DROP participation period of three years.

Proposed law increases the maximum DROP participation period to five years.

Present law provides relative to disability retirees who cease to have a disability. Provides for the cessation of retirement benefits and requires reemployment of the retiree if the State Medical Disability Bd. determines that retiree is no longer disabled.

Proposed law provides that an examination pursuant to present law is limited to an evaluation of the condition or injury that qualified the retiree for disability retirement.

Proposed law authorizes a disability retiree who is no longer disabled to return to active service for a trial period of not more than 18 months with no effect other than the suspension of the retirement allowance during the period of reemployment. If he does not work more than 18 months, requires that his retirement allowance be reinstated without the necessity of any reapplication for disability retirement or medical examination or related matters. Further provides that during this temporary period of employment, no changes shall occur with respect to the Office of Group Benefits coverage.

Present law authorizes an employer to allow its employees to convert unused leave to service credit. Provides that a decision to allow such conversion is irrevocable. Requires the employer to decide whether the conversion of leave occurs on the effective date of an

employee's entry into the Deferred Retirement Option Plan or upon the effective date of his separation from service.

Proposed law retains present law and provides employers with the following options:

- (1) To establish an annual period during which members may convert any unused leave to service credit.
- (2) To have the option of adjusting its leave conversion table on a schedule determined by the system.

Present law provides various options regarding how a retiree and another person nominated by the retiree may receive the retiree's retirement benefit. Provides that the nomination of another person is irrevocable on and after the date that the first of any benefit payments becomes due.

Proposed law provides that such nominations are revocable at any time except with regards to a spouse who has a community property interest in the benefit.

Present law provides that a retiree may remove a former spouse as a beneficiary of any benefits provided for by present law if the former spouse consents to such removal.

Proposed law removes the requirement for the former spouse's consent to the removal.

Proposed law authorizes an employer to develop and implement a plan for increasing the average final compensation of its employees subject to the following:

- (1) No such plan shall be implemented unless it has been approved by the board of trustees.
- (2) The employer shall submit a proposed plan to the board of trustees. The plan shall provide:
 - (a) Minimum requirements that an employee would have to meet to be eligible for an increase in average final compensation.
 - (b) A proposal for how the amount of any increase will be determined.
 - (c) A proposal for how the employer will pay for the costs associated with the plan.
 - (d) A statement affirming that the employer is liable for all costs of the plan, including administrative costs incurred by the system.
- (3) The system actuary shall determine the cost of a plan submitted by an employer and shall certify the cost to the board of trustees prior to the board's approval of the plan.

(Amends R.S. 11:42(B)(3), 2252(5), 2256(B)(3)(a), 2256.1(A), 2257(A) and (C), 2258(E), and 2259(A)(2); Adds R.S. 11:2254.1(B)(3) and (4), 2256.3, and 2256.4)