
DIGEST

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HB 19 Reengrossed

2025 Regular Session

Kerner

Abstract: Provides relative to the Firefighters' Retirement System (FRS).

Benefits

Present law, applicable to all state and statewide retirement systems, requires reduction of disability benefits if the recipient earns over a certain amount. Requires disability retirees to provide annual earnings statements.

Present law exempts retirees of the Municipal Police Employees' Retirement System who are age 62 and older.

Proposed law retains present law.

Proposed law adds the FRS disability retirees age 62 and older to the exemption.

Present 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, but no earlier than 30 days after the member either terminates or resigns.

Proposed law retains present law requirements of employer certification but does not require the certification to be on the application form. Provides that no refund will be issued sooner than 30 days after termination.

Proposed law specifies that the refund is without interest and that the system retains all employer contributions.

Deferred Retirement Option Plan

Present 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 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.

Proposed law retains present law.

Present law provides that neither the employer or employee contributions are paid during DROP participation.

Proposed law provides that no employee contributions are payable during participation in DROP. Requires employer contributions to be paid beginning Jan. 1, 2026.

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

Proposed law retains present law.

Present law limits DROP participation to three years.

Proposed law retains present law for members with less than 28 years of service credit at DROP entry.

Proposed law, beginning Jan. 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 Jan. 1, 2026, the option to extend his specified participation period to not more than five years.

Proposed law requires the participant to notify the board of trustees, in writing, of his intention to extend his DROP participation.

Present 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.

Proposed law retains present law.

Proposed law provides upon termination in lieu of present 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

Proposed 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 the DROP money to the program.

Proposed 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.

Proposed law requires that the participant be given investment options that comply with federal law for self-directed plans. Further requires the provider to have as an investment option a stable value fund that preserves the participant's principal.

Proposed 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 waives 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

Present law provides the board of trustees may audit any participating employer in order to assure the continued accuracy of data.

Proposed 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.

(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))

Summary of Amendments Adopted by House

The House Floor Amendments to the engrossed bill:

1. Change the date an employer begins paying employer contributions on a participant's DROP account from Apr. 1, 2026, to Jan. 1, 2026.

2. Change the date a DROP participant may choose a five-year participation period from Apr. 1, 2026, to Jan. 1, 2026.