

Regular Session, 2013

HOUSE BILL NO. 67

BY REPRESENTATIVE ARNOLD

RETIREMENT/LOCAL: Establishes a second tier of membership, applicable to new employees, in the Harbor Police Retirement System in the city of New Orleans

1 AN ACT

2 To amend and reenact R.S. 11:3682(5) and (26) and 3685(C) and to enact R.S. 11:3699.1
3 through 3699.15, relative to the Harbor Police Retirement System in the city of New
4 Orleans; to establish a new tier of benefits for members hired on or after January 1,
5 2014; to provide relative to the application, calculation, membership, and funding
6 related to such benefits; 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. 11:3682(5) and (26) and 3685(C) are hereby amended and reenacted
12 and R.S. 11:3699.1 through 3699.15 are hereby enacted to read as follows:

13 §3682. Definitions

14 The following words and phrases, as used in this Subpart, unless expressly
15 indicated to the contrary or unless a different meaning is plainly required by context,
16 shall have the following meanings:

17 * * *

18 (5)(a) "Average final compensation" ~~means~~ for members first employed in
19 the system on or before December 31, 2013 shall mean the average annual earned
20 compensation of an employee for any period of thirty-six successive or joined

1 months of service as an employee during which the said earned compensation was
2 the highest. In case of interruption of employment, the thirty-six-month period shall
3 be computed by joining employment periods immediately preceding and succeeding
4 the interruption.

5 (b) "Average final compensation" for members first employed on or after
6 January 1, 2014, shall mean the average annual earned compensation of an employee
7 for the sixty highest months of successive employment, or for the highest sixty
8 successive joined months of employment where interruption of service occurred. The
9 earnings to be considered for the thirteenth through the twenty-fourth month shall
10 not exceed one hundred fifteen percent of the earnings of the first through the twelfth
11 month. The earnings to be considered for the twenty-fifth through the thirty-sixth
12 month shall not exceed one hundred fifteen percent of the earnings of the thirteenth
13 through the twenty-fourth month. The earnings to be considered for the
14 thirty-seventh through the forty-eighth month shall not exceed one hundred fifteen
15 percent of the earnings of the twenty-fifth through the thirty-sixth month. The
16 earnings for the final twelve months shall not exceed one hundred fifteen percent of
17 the earnings of the thirty-seventh through the forty-eighth month.

18 * * *

19 (26) "Retirement system" or "system" means the Harbor Police Retirement
20 System as established in R.S. 11:3681.

21 * * *

22 §3685. Benefits

23 * * *

24 C. The provisions of this Subsection shall apply to those persons enrolled in
25 the Deferred Retirement Option Plan on or after July 1, 1995 and on or before
26 December 31, 2013.

27 * * *

1 §3699.1. Creation; application

2 There is hereby created a second tier of benefits within this system for
3 persons whose first employment making them eligible for membership in this system
4 occurred on or after January 1, 2014. The provisions of this Sub-subpart shall be
5 known as "Tier 2" of the system. The provisions of this Subpart applicable to
6 persons whose first employment making them eligible for system membership
7 occurred before January 1, 2014, shall be known as "Tier 1". Any other provisions
8 of this Subpart or any other laws to the contrary notwithstanding, the retirement of
9 persons in Tier 2 shall be governed by the provisions of this Sub-subpart; however,
10 if provisions of this Subpart applicable to Tier 1 cover matters not specifically
11 addressed by the provisions of this Sub-Subpart or if any of the provisions of this
12 Subpart are made applicable in this Sub-subpart, then those provisions shall apply
13 to members governed by this Sub-subpart.

14 §3699.2. Definitions

15 For purposes of this Sub-subpart, terms defined in R.S. 11:3682 shall have
16 the meanings provided therein and the following terms shall have the meanings
17 provided in this Section unless a different meaning is clearly required by the context:

18 (1) "Member" means any employee whose first employment making him
19 eligible for membership in the system occurs on or after January 1, 2014.

20 (2) "Qualified survivor" means a surviving spouse married to the decedent
21 for at least two years prior to the decedent's death, a child who is under the age of
22 eighteen or twenty-three if a student, and a handicapped or mentally incapacitated
23 child.

24 (3) "Student" means a person enrolled in a high school, a vocational-technical
25 school, or a college or university, in a sufficient number of courses and classes in
26 such institution to be classified as a full-time regular student under the criteria used
27 by the institution in which he is enrolled. In addition, the person must actually attend
28 at least eighty percent of the total number of classes in which he is enrolled.

1 § 3699.3. Eligibility for plan membership

2 A. Each person who becomes an employee on or after January 1, 2014 shall
3 become a member of Tier 2 of the Harbor Police Retirement System as a condition
4 of employment.

5 B. Notwithstanding the provisions of Subsection A of this Section, no person
6 who participated in the Deferred Retirement Option Plan in this system or who
7 retired in this system prior to January 1, 2014 shall be eligible for membership in
8 Tier 2.

9 §3699.4. Eligibility for retirement

10 Any member of Tier 2 shall be eligible for retirement if he has:

11 (1) Twenty-five years or more of service, at any age.

12 (2) Twelve years or more of service, at age fifty-five or thereafter.

13 (3) Twenty years of service credit at any age, exclusive of military service
14 and unused annual and sick leave, but any person retiring under this Paragraph shall
15 have his benefit, inclusive of military service credit and allowable unused annual and
16 sick leave, actuarially reduced. Any member retiring under this Paragraph who is
17 in state service at the time of his retirement shall have his benefit actuarially reduced
18 from the earliest age that he would normally become eligible for a regular retirement
19 benefit under Paragraph (1) or (2) of this Subsection if he had continued in service
20 to that age. Any member retiring under this Paragraph who is out of state service at
21 the time of his retirement shall have his benefit actuarially reduced from the earliest
22 age that he would normally become eligible for a regular retirement benefit under
23 Paragraph (1) or (2) of this Subsection based upon his years of service as of the date
24 of retirement. Any employee who elects to retire under the provisions of this
25 Paragraph shall not be eligible to participate in the Deferred Retirement Option Plan
26 provided by R.S. 11:3699.11 or the initial benefit option provided by R.S.
27 11:3699.6(B).

1 §3699.5. Retirement benefit calculation

2 A. A member shall receive a retirement benefit equal to three and one-third
3 percent of average final compensation for every year of creditable service in the plan,
4 not to exceed one hundred percent of the member's average final compensation.

5 B. A member shall not be allowed to elect any option under R.S. 11:3687 for
6 the calculation and payment of his benefit.

7 §3699.6. Deferred Retirement Option Plan; initial benefit option; annual
8 cost-of-living adjustment option

9 A. A member who is eligible for regular retirement may elect to participate
10 in the Deferred Retirement Option Plan in accordance with the provisions of R.S.
11 11:3699.11 through 3699.15, the initial benefit option provided for in Subsection B
12 of this Section, or the annual cost-of-living adjustment option provided for in
13 Subsection C of this Section.

14 B. Initial Benefit Option. (1) The initial benefit option provided in this
15 Subsection is available to a member who has not participated in the Deferred
16 Retirement Option Plan provided in this Sub-subpart. If the initial benefit option is
17 selected, the person shall thereafter be ineligible to participate in the Deferred
18 Retirement Option Plan.

19 (2) If a member selects the initial benefit option provided in this Subsection,
20 the member shall receive an initial benefit plus a reduced monthly retirement
21 allowance. The monthly retirement benefit received by the retiree and the beneficiary
22 or survivor shall be actuarially reduced by an amount calculated to offset the cost of
23 the initial benefit.

24 (3) The amount of the initial benefit, as determined by the member, shall not
25 exceed an amount equal to thirty-six payments of the member's maximum retirement
26 allowance.

27 (4) The initial benefit shall, at the option of the member, be paid as a
28 lump-sum payment or shall be placed in an account, with interest credited, and
29 payments from the account made in accordance with R.S. 11:3699.15(A) or (C).

1 (5) If a member elects the initial benefit option and retires under the
2 provisions of this Section, the monthly benefit of the retiree and the survivors
3 payable shall be actuarially reduced under the provisions of Paragraphs (2) and (5)
4 of this Subsection.

5 (6) A person who retires under the provisions of disability retirement may
6 not select the initial benefit option.

7 (7) Cost-of-living adjustments or permanent benefit increases granted by the
8 board of trustees to retirees who select the initial benefit option shall be computed
9 on the basis of each retiree's regular monthly retirement benefit or on the basis of
10 each beneficiary or survivor's benefit based on the option selected, as reduced.

11 C. Annual Cost-of-Living Adjustment Option. In addition to any of the
12 above options, upon application for retirement or participation in the Deferred
13 Retirement Option Plan, any member may make an election, which is irrevocable
14 after the effective date of retirement or the beginning date of participation in the
15 Deferred Retirement Option Plan, to receive an actuarially reduced retirement
16 allowance plus an annual two and one-half percent cost-of-living adjustment
17 pursuant to the provisions of R.S. 11:247.

18 §3699.7. Disability retirement

19 A. Upon approval of a member's retirement based upon a total and
20 permanent disability resulting solely from injury sustained in the performance of his
21 official duties, a member shall receive a disability benefit equal to seventy-five
22 percent of his average final compensation, regardless of years of service. This
23 benefit is payable only if the injury was sustained while on active duty status.

24 B. If a member's disability occurs for reasons other than in the performance
25 of his duties and the member has earned at least ten years of service credit in Tier 2,
26 the member shall receive a maximum disability retirement benefit which shall be
27 equivalent to the regular retirement formula without reduction by reason of age.

28 C. The disability retirement procedures contained in R.S. 11:3686 which are
29 not in conflict with this Section shall apply to members.

1 §3699.8. Survivors' benefits for members killed in the line of duty

2 A. If a member's death occurs in the line of duty or is a direct result of an
3 injury sustained while in the line of duty, survivor benefits shall be payable to
4 qualified survivors as provided for in this Section, except that a survivor shall be
5 eligible for benefits under this Section without regard to the amount of time that the
6 surviving spouse was married to the deceased member and without regard to the
7 amount of time that the deceased was a member of this plan. This benefit is payable
8 only if the injury was sustained while on active duty status.

9 B. If the member has a qualified survivor pursuant to Subsection A of this
10 Section, the amount of the total benefit shall equal eighty percent of the member's
11 average final compensation. The benefit shall be shared equally by qualified
12 survivors. When a child who is not handicapped or mentally incapacitated reaches
13 eighteen years of age, or twenty-three if a student, his benefit shall cease, and the
14 remaining beneficiaries shall have their shares adjusted accordingly.

15 C. The provisions of R.S. 11:3685 concerning procedures for payment of
16 survivor benefits which are not in conflict with this Section shall apply to members.

17 D. The provisions of this Section shall not apply to any member of this plan
18 who has participated in the Deferred Retirement Option Plan. Such benefit shall be
19 governed by R.S. 11:3699.15(D).

20 §3699.9. Survivors' benefits for death other than in the line of duty

21 A. The qualified survivors of any active member whose death occurs other
22 than in the performance of his duties shall receive benefits as provided in R.S.
23 11:3685.

24 B. The provisions of R.S. 11:3685 concerning procedures for payment of
25 survivor benefits which are not in conflict with this Section shall apply to survivors
26 of Tier 2 members.

1 §3699.10. Survivors' benefits for former or retired members

2 A. The surviving spouse of a deceased former member shall receive a benefit
3 in an amount equal to fifty percent of the monthly retirement benefit that would have
4 been payable to the decedent if all of the following conditions exist:

5 (1) The decedent terminated employment covered by this system prior to
6 attaining the requisite age for retirement eligibility.

7 (2) The decedent has credit for at least twelve years of service in this system
8 and has contributions credited to his account.

9 B. The surviving spouse of a deceased retired member shall receive a benefit
10 in an amount equal to seventy-five percent of the monthly retirement benefit that was
11 being paid to the decedent on the date of death.

12 C.(1) If there is no surviving spouse eligible to receive benefits pursuant to
13 Subsection A or B of this Section, the children of the decedent shall be entitled to
14 benefits as provided in R.S. 11:3685.

15 (2) As each minor child attains age eighteen, or age twenty-three if a student,
16 he shall receive no further benefits payable pursuant to this Subsection, unless
17 handicapped or mentally incapacitated.

18 §3699.11. Deferred Retirement Option Plan

19 A. In lieu of terminating employment and accepting a retirement allowance,
20 any Tier 2 member of this system who is eligible for regular retirement may elect to
21 participate in the Deferred Retirement Option Plan subject to the provisions of this
22 Section and R.S. 11:3699.12 through 3699.15.

23 B. An election to participate in the plan may be made only once, for a
24 specified period not to exceed three years. The three-year period begins within sixty
25 calendar days after the member first becomes eligible for regular retirement under
26 the retirement provisions applicable to the member. The participation period must
27 end not more than three years and sixty calendar days from the date the member first
28 becomes eligible for regular retirement, and in no case shall actual participation in
29 the plan exceed three years. Once specified, the period of participation shall not be

1 extended. A member participating in the plan shall not terminate participation in this
2 plan prior to the end of the selected duration without terminating employment.

3 C. For purposes of this plan, sick and annual leave shall not be converted for
4 purposes of establishing eligibility.

5 §3699.12. Establishment of plan

6 A. The system shall establish a Deferred Retirement Option Plan for
7 members of Tier 2, which shall be a part of the system fund. While participating in
8 such plan, participant's contributions shall be credited to subaccounts as follows:

9 (1) The contributing period shall mean that time period when funds are being
10 credited to the participant's subaccount maintained by the system.

11 (2) After the contributing period ends, the balance of the subaccount may
12 then be transferred to the self-directed subaccount in accordance with R.S.
13 11:3699.14, which shall be known as the investment period.

14 B. Both subaccounts shall be within the Deferred Retirement Option Plan.
15 Management of the funds shall be by the system during the contributing period.
16 When the funds are transferred to the self-directed subaccount for the investment
17 period, the system is authorized to hire a third party provider who shall be an agent
18 of the system for purposes of investing balances in the self-directed subaccounts of
19 the participants.

20 C. The system or the third party provider shall maintain the subaccounts
21 within this plan reflecting the credits attributed to each participant in the plan during
22 the contributing or investment period. All monies in the subaccounts, while the
23 participant is employed, shall remain a part of the fund, regardless of in which
24 subaccount the monies are maintained, until disbursed to a participant in accordance
25 with the plan provisions upon termination of employment.

26 D. Interest shall not be credited to a participant's subaccount during the
27 contributing period. All amounts which remain credited to the individual's
28 subaccount after termination of participation in the plan and employment shall be
29 disbursed as provided in R.S. 11:3699.15.

1 E. The board of trustees shall select a provider which shall be authorized to
2 place the participant's subaccount balance, after the Deferred Retirement Option Plan
3 participation ends, in products selected by the participant. In selecting a provider,
4 the board shall consider, among other things, the following:

5 (1) The tax status of the products.

6 (2) The portability of the products offered by the provider.

7 (3) The types and diversity of products offered by the provider.

8 (4) The ability of the designated provider to provide the rights and benefits
9 under the products.

10 (5) At a minimum, one short-term fixed income option.

11 (6) At least one of the fund providers shall maintain an office in the state of
12 Louisiana.

13 §3699.13. Plan participation

14 A. Upon the effective date of commencement of participation in the plan and
15 during the period of participation in the plan, neither the employee nor the employer
16 contributions shall be payable, and the participant in the plan shall be considered as
17 a Deferred Retirement Option Plan participant, and except as provided in R.S.
18 11:3699.11 through 3699.15 , the Deferred Retirement Option Plan participant shall
19 be treated as a member of the system.

20 B. For purposes of this Section, final average compensation and creditable
21 service shall remain fixed as they existed on the date of commencement of
22 participation in the plan. Creditable service shall not include conversion of sick and
23 annual leave.

24 C. Retirement benefits based on final average compensation and creditable
25 service as established under Subsection B of this Section and which otherwise would
26 have been due the participant shall, during the period of participation in the plan, be
27 credited to the participant's Deferred Retirement Option Plan subaccount.

28 D. Individuals who participate in the plan shall not receive the benefit of any
29 cost-of-living adjustments granted while employed and for a period of one year

1 following termination of employment, and a cost-of-living adjustment shall only be
2 granted in accordance with R.S. 11:3685(D).

3 §3699.14. Self-directed Deferred Retirement Option Plan participants subaccounts

4 A. Each participant who at his option continues employment after
5 participation in the contribution portion of the Deferred Retirement Option Plan may
6 have the balance of his subaccount as of the end of the contribution period
7 transferred to a subaccount to be managed by a third-party provider selected in
8 accordance with R.S. 11:3699.12 in accordance with the agreement entered into by
9 the system and the third-party provider. Each participant who terminates
10 employment after the contribution period may at his option participate in the self-
11 directed plan under the same conditions.

12 B. Each participant in the self-directed portion of this plan agrees that the
13 benefits payable to participants are not the obligations of the state of Louisiana or the
14 system and that any returns and other rights of the plan are the sole liability and
15 responsibility of the participant and the designated provider to which contributions
16 have been made.

17 C. By participating in the self-directed portion of the plan, the participant
18 agrees that he and the provider shall be responsible for complying with all applicable
19 provisions of the Internal Revenue Code, and if any violation of that code occurs as
20 a result of the participant's participation in this portion of the plan, it will be the
21 responsibility and liability of the participant and the provider and not the system.

22 D. There shall be no liability on the part of, and no cause of action of any
23 nature shall arise against, the system, or its agents or employees, for any action taken
24 by the participants for choices the participants make in relationship to the funds they
25 chose to place in their subaccount balance.

26 §3699.15. Termination of participation

27 A. Upon termination of participation in both the plan and employment, a
28 participant shall:

1 (1) At the participant's option, receive either a lump sum payment from the
2 account equal to the amount then credited to his individual subaccount or systematic
3 disbursements based on his individual subaccount in any manner approved by the
4 board.

5 (2) Begin to receive regular monthly retirement benefits based on the option
6 selected at the time of election to participate in the plan, as adjusted pursuant to
7 Subsection E of this Section.

8 B. For the purposes of this Section, a termination of employment shall not
9 mean a termination from one position covered by the system to take another position
10 covered by the system, as long as there is no break in service.

11 C. Upon termination of participation in the plan but not employment, credits
12 to the account shall cease and no retirement benefits shall be paid to the participant
13 until employment is terminated. The balance in the participant's subaccount shall be
14 placed in a self-directed subaccount in the name of the participant as provided for in
15 R.S. 11:3699.14, and the participant shall then be bound by the provisions of said
16 Section. No payment shall be made based on credits in the subaccount until
17 employment is terminated as defined in this Section. The participant may continue
18 employment after termination of participation in the plan for the sole purpose of
19 accruing a supplemental benefit, and employer and employee contributions shall
20 resume.

21 D. If the participant dies, whether still participating in the Deferred
22 Retirement Option Plan or after participation but while still employed, his credits and
23 benefits, if any, that are due to his beneficiaries shall be payable pursuant to the
24 following provisions:

25 (1)(a) If the member dies during the period of participation and the member's
26 named beneficiary is the member's surviving spouse with whom the member was
27 legally married at the time of the member's death, the named beneficiary shall
28 receive, at the beneficiary's option, any one of the following:

1 (i) A lump sum payment from the retiree's individual account balance in the
2 Deferred Retirement Option Plan Account equal to its balance.

3 (ii) A life annuity based upon the account balance.

4 (iii) Any other method of payment if approved by the board of trustees.

5 (b) Normal survivor benefits payable to survivors of retirees shall be
6 payable.

7 (2) If the member dies during the period of participation and the member's
8 named beneficiary is someone other than the member's surviving spouse to whom
9 the member was legally married at the time of the member's death, the named
10 beneficiary shall receive a lump sum payment equal to the member's individual
11 account balance in the Deferred Retirement Option Plan Account. Normal survivor
12 benefits payable to survivors of retirees shall be payable.

13 (3) If the member dies during the period of participation and a beneficiary
14 was not named, the member's estate shall receive a lump sum payment equal to the
15 member's individual account balance in the Deferred Retirement Option Plan
16 Account. Normal survivor benefits payable to survivors of retirees shall be payable.

17 E. Monthly retirement benefits payable to a participant after termination of
18 participation in the plan and employment shall be calculated as follows:

19 (1) There shall be a "base benefit" which shall equal the participant's
20 monthly credit to the account as calculated at the time of the participant's entry into
21 the plan.

22 (2) If the participant does not continue employment after termination of
23 participation in the plan, his monthly retirement benefit shall equal his base benefit.

24 (3)(a) If a participant continues employment after termination of
25 participation in the plan for a period of less than his average final compensation
26 period, his monthly retirement benefit shall equal his base benefit plus a
27 supplemental benefit based upon the service credit for the additional employment,
28 based upon the average final compensation used to calculate the monthly credit.

1 (b) If the participant continues employment after termination of participation
 2 in the plan for a period equal to or longer than his final average compensation period,
 3 his monthly retirement benefit shall equal his base benefit plus a supplemental
 4 benefit based upon the service credit for the additional employment, based upon the
 5 final average compensation for the period of employment after termination of
 6 participation in the plan.

7 (4) The amount of unused sick and annual leave at the time of termination
 8 may be converted to retirement credit under the provisions of R.S. 11:3684(E)(3).
 9 If a participant continues employment for less than three years after termination of
 10 participation in the plan, then unused sick and annual leave shall be used to compute
 11 a supplemental benefit using the member's final average compensation as provided
 12 in Paragraph (1) of this Subsection. If a participant continues employment for more
 13 than three years after termination of participation in the plan, then unused sick and
 14 annual leave shall be used to compute a supplemental benefit using the member's
 15 final average compensation as provided in this Paragraph.

16 (5) In no instance shall a supplemental benefit and a base benefit, added
 17 together, exceed one hundred percent of the applicable final average compensation.

18 Section 2. The Louisiana State Law Institute shall designate R.S. 11:3681 through
 19 3698 as "Sub-subpart 1. General Provisions and Provisions for Members of Tier 1" and shall
 20 designate R.S. 11:3699.1 through 3699.15 "Sub-Subpart 2. Tier 2".

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)]

Arnold

HB No. 67

Abstract: Establishes a new tier of membership and benefits for new hires in the Harbor Police Retirement System in the city of New Orleans (HBPOL)

Present law establishes the HBPOL system and provides for eligibility, membership, and benefits for members. Further provides for governance of the system by a board of trustees. Proposed law retains present law and makes it applicable to members employed prior to Jan. 1, 2014.

Proposed law establishes a new tier of membership and benefits for those first hired on or after Jan. 1, 2014, referred to in this digest as "tier 2". This new tier is modeled after the Hazardous Duty Services Plan in the Louisiana State Employees' Retirement System (LASERS).

AVERAGE FINAL COMPENSATION

Present law provides that members of HBPOL have a 3-year average final compensation period. Such average compensation is the average annual earned compensation of an employee for the consecutive 3-year period where compensation was the highest.

Proposed law for tier 2 members provides for a 5-year average final compensation period. Further provides that for a 15% antispiking cap on each year of salary used in the calculation.

RETIREMENT ELIGIBILITY & ACCRUAL RATE

Present law provides the following retirement eligibility for members of HBPOL:

- (1) 20 or more years of service, at age 45.
- (2) 25 or more years of service, regardless of age.
- (3) 12 or more years of service, at age 55.
- (4) 10 or more years of service, at age 60.

Proposed law establishes the following retirement eligibility for tier 2:

- (1) 25 years or more of service, at any age.
- (2) 12 years or more of service, at age 55.
- (3) 20 years or more of service, actuarially reduced.

Present law further provides that all members have a 3 1/3% accrual rate. Proposed law retains present law for tier 2.

BENEFITS

Proposed law establishes an initial benefit option (IBO) and an annual cost-of-living adjustment option (COLA) for members of the new tier.

Provides that if the member selects the IBO, he will receive a payment in an amount up to 36 payments of his maximum retirement allowance and his monthly retirement benefit will be reduced by an amount to actuarially offset the initial payment. Provides that he is not eligible for participation in the Deferred Retirement Option Plan (DROP). Proposed law further provides that a member who retires under the disability provisions of proposed law shall not be eligible to select the IBO.

Proposed law provides that if the retiree selects the COLA, he makes an irrevocable election to receive an actuarially reduced retirement benefit that will include an annual 2.5% cost-of-living adjustment.

DISABILITY BENEFITS

Present law provides for disability retirement for member of HBPOL. Under present law a member must have at least 5 years of creditable service in order to be eligible for

disability benefits. If a member who otherwise qualifies for disability under present law has attained the age of 55, his disability benefit shall equal his normal retirement benefit. If the member has not attained the age of 55, his disability benefit shall be 60% of his average salary.

Proposed law establishes disability benefits for tier 2 employees:

- (1) If totally and permanently disabled due to an injury sustained in the line of duty, the member shall receive a benefit equal to 75% of his average final compensation, regardless of years of service in the system.
- (2) If disability is not due to injury sustained in the line of duty and the member has at least 10 years of service, the member shall receive a benefit equal to the regular retirement benefit e would have received with his years of service, accrual rate, and final average compensation under normal retirement.

SURVIVOR BENEFITS

Present law provides for survivor benefits for survivors of members who die prior to retirement. Under present law, unless killed in the line of duty, a member must have at least 5 years of creditable service in the HBPOL system for his survivors to qualify for a benefit. If a member is killed in the line of duty, his survivors qualify for a benefit regardless of the number of years of creditable service in the plan.

Proposed law for tier 2 members provides that if a member is killed in the line of duty, his spouse and minor and handicapped children share equally a benefit equal to 80% of the member's final average compensation regardless of the number of years of service the member had. For survivors of members whose death occurs other than in the line of duty, proposed law retains applicability of present law.

Proposed law provides for survivor benefits upon the death of a retired member as follows:

- (1) The surviving spouse will receive a benefit of 50% of the member's benefit if the member had at least 12 years of service but terminated employment prior to reaching retirement eligibility.
- (2) The surviving spouse will receive a benefit of 75% of the member's benefit if the member had retired from HBPOL and was receiving a retirement benefit.
- (3) If there is no surviving spouse eligible to receive benefits, the children of the decedent shall be entitled to benefits as provided in present law until they reach 18, or 23 if a student.

DEFERRED RETIREMENT OPTION PROGRAM (DROP)

Proposed law creates a Deferred Retirement Option Plan (DROP) for new tier 2 members.

Proposed law provides that for participants in the new HBPOL DROP, there shall be a contributing period, corresponding with their DROP participation periods, which may not be longer than three years, during which funds shall be credited to the participants DROP accounts maintained by the system. Provides that the system shall manage these funds during the contributing period and that no interest shall be credited to the account during the contributing period. Provides that after the contributing period ends, the investment period begins. Further provides that the balance of the DROP accounts will be transferred to self-directed accounts during the investment period, where the funds would

be managed by a third-party provider. Proposed law establishes criteria for the board to consider when selecting such third-party provider.

Present law provides that for DROP participants who continue employment after DROP for less than his original FAC (Final Average Compensation) period, such individuals shall receive a supplemental benefit based on their pre-DROP FAC. For DROP participants who continue employment after DROP for more than his original FAC period, the supplemental benefit shall be based on the FAC during the post-DROP employment.

(Amends R.S. 11:3682(5) and (26) and 3685(C); Adds R.S. 11:3699.1 through 3699.15)