

Regular Session, 2014

HOUSE BILL NO. 22

BY REPRESENTATIVE PEARSON

RETIREMENT/LOCAL: Provides generally relative to the Harbor Police Retirement System in the city of New Orleans

1 AN ACT

2 To amend and reenact R.S. 11:3682(1) and (18), 3685(A)(2)(introductory paragraph), (d),  
3 and (e) and (C)(introductory paragraph), (6), (7)(introductory paragraph), (9), (10),  
4 (13), and (14)(introductory paragraph), 3686(A) and (D)(1) and (2), and  
5 3688(A)(introductory paragraph), (1), (2), and (8) and (D)(5) and to repeal R.S.  
6 11:3685(B) and 3687(A)(7), relative to the Harbor Police Retirement System; to  
7 provide for technical changes; to provide for definitions; to provide relative to  
8 eligibility for disability benefits; to provide relative to payments of benefits to a child  
9 with a disability; to provide relative to the board of trustees; to provide relative to  
10 certain benefits; and to provide for related matters.

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

14 Be it enacted by the Legislature of Louisiana:

15 Section 1. R.S. 11:3682(1) and (18), 3685(A)(2)(introductory paragraph), (d), and  
16 (e) and (C)(introductory paragraph), (6), (7)(introductory paragraph), (9), (10), (13), and  
17 (14)(introductory paragraph), 3686(A) and (D)(1) and (2), and 3688(A)(introductory  
18 paragraph), (1), (2), and (8) and (D)(5) are hereby amended and reenacted to read as follows:

1 §3682. Definitions

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

5 (1)(a) "Accumulated contribution" for an employee hired on or before June  
6 30, 2014, means the sum of all the amounts deducted from the compensation of a the  
7 member and credited to his individual account in the Annuity Savings Fund together  
8 with regular interest thereon as provided in R.S. 11:3688.

9 (b) "Accumulated contribution" for an employee hired on or after July 1,  
10 2014, means the sum of all the amounts deducted from the compensation of the  
11 member and credited to his individual account.

12 \* \* \*

13 (18) "Medical board" means the ~~board of physicians~~ group of licensed  
14 medical professionals provided for in R.S. 11:3688.

15 \* \* \*

16 §3685. Benefits

17 A.

18 \* \* \*

19 (2) Benefits shall be payable to survivors of a deceased member; ~~with who~~  
20 had at least five years of creditable service; and who dies before retirement as  
21 specified in the following:

22 \* \* \*

23 (d) ~~If a member dies leaving no surviving spouse or children, his mother~~  
24 ~~and/or his father who were dependent upon him as their sole means of support shall~~  
25 ~~be paid monthly benefits equal to forty percent of the average final compensation of~~  
26 ~~the member prior to his death.~~

27 (i) If a deceased member leaves a surviving child who has a total physical  
28 disability or mental disability, the child, regardless of age, shall be entitled to the  
29 benefits for children under eighteen years of age pursuant to Subparagraph (c) or (e)

1 of this Paragraph if the child had a total physical disability or mental disability at the  
2 time of the death of the member, and the child is dependent upon his legal guardian  
3 for subsistence.

4 (ii) The legal guardian shall provide adequate proof of physical or mental  
5 disability of such a surviving child and shall notify the board of any subsequent  
6 changes in the child's condition that cause the child to no longer be dependent upon  
7 the legal guardian and of any changes in the assistance being received from other  
8 state agencies. The board may require a certified statement of the child's eligibility  
9 status at the end of each calendar year.

10 (e) ~~Provided that in~~ In the case of death of any member resulting from injury  
11 received in line of duty, survivors' benefits shall be paid regardless of the number of  
12 years of service and shall be sixty percent of his final salary payable to his ~~widow~~  
13 surviving spouse until ~~she~~ the spouse remarries or to his surviving children under  
14 eighteen years of age if there is no eligible surviving ~~widow~~; ~~or to his surviving~~  
15 ~~parents if there is no eligible surviving widow or child spouse.~~

16 \* \* \*

17 C. The provisions of this Subsection shall apply to those persons enrolled in  
18 the Deferred Retirement Option Plan ~~on or after July 1, 1995.~~

19 \* \* \*

20 (6) A member ~~shall~~ may participate in the Harbor Police Retirement System  
21 DROP only once.

22 (7) The duration of participation in the DROP shall ~~be for a specified period~~  
23 ~~of time, which shall~~ not exceed either of the following:

24 \* \* \*

25 (9) ~~The~~ Upon entering DROP, the member shall contractually agree with the  
26 retirement system to be bound by the provisions of this Subsection. The member  
27 shall therein specifically agree to cease employment at the end of the ~~specified~~  
28 period of participation, and specifically ~~agrees~~ agree to the results stipulated for  
29 failure to abide by ~~such~~ the terms of the contract.

1 (10) Prior to sixty days before the end of the ~~specified~~ period of  
2 participation, the board of trustees shall give notice of same, by certified mail, return  
3 receipt requested, to the member.

4 \* \* \*

5 (13) The Deferred Retirement Option Plan Account shall not earn interest  
6 during the period of participation. However, the board of trustees shall annually set  
7 a percentage rate, and its manner of compounding, to represent the interest rate that  
8 would be earned thereby if ~~same~~ the account did earn interest. If the member ceases  
9 employment at the end of the ~~specified~~ period of participation as contractually  
10 agreed, or dies during ~~or at the end of the specified~~ period of participation as  
11 ~~contractually agreed~~, a sum equal to the amount the individual account would have  
12 earned, if the representative interest rate, as compounded, had been applicable to  
13 such account, shall be added to this account. Thereafter, the account, if maintained  
14 as otherwise authorized by this Subsection, shall earn interest at a rate compounded,  
15 as set annually by the board of trustees. Such actual rate of interest and manner of  
16 compounding shall be equal to the representative rate and compounding in effect for  
17 the same period of time. If the member does not abide by the terms of the contract  
18 and cease employment at the end of the period of participation as contractually  
19 agreed, payments into the Deferred Retirement Option Plan Account shall  
20 immediately cease and the member shall immediately be paid a lump sum payment  
21 from the member's individual account balance in the Deferred Retirement Option  
22 Plan Account equal to its balance, without the addition of any sum representing  
23 interest, and such member's account shall be terminated. Such member shall not be  
24 considered as retired, but shall remain as a member of the retirement system, in an  
25 inactive status. Only upon actual cessation of employment shall the member be  
26 considered as a retiree and entitled to the receipt of retirement benefits. This account  
27 shall not be subject to any fees or charges of any kind for any purpose, except as  
28 otherwise provided herein.

1 (14) If the member remains an employee for ~~a specified~~ the period of  
2 participation in the DROP and then immediately thereafter terminates employment,  
3 the member shall become a retiree and shall receive, at the retiree's option, any one  
4 of the following:

5 \* \* \*

6 §3686. Disability retirement

7 A.(1) Upon the application of a member to his employer, any member whose  
8 date of hire was on or before June 30, 2014, and who has ~~had~~ at least five years of  
9 creditable service may be retired by the board of trustees, ~~not less than thirty and not~~  
10 ~~more than ninety days next following the date of filing such application,~~ on a  
11 disability retirement allowance, ~~provided that~~ if the medical board, after a medical  
12 examination, ~~shall certify~~ certifies that he is mentally or physically incapacitated for  
13 the further performance of duty, that such incapacity is likely to be permanent, and  
14 that he should be retired.

15 (2) Upon the application of a member to his employer, any member whose  
16 date of hire was on or after July 1, 2014, and who has at least ten years of creditable  
17 service may be retired by the board of trustees on a disability retirement allowance  
18 if the medical board, after a medical examination, certifies that he is mentally or  
19 physically incapacitated for the further performance of duty, that such incapacity is  
20 likely to be permanent, and that he should be retired.

21 \* \* \*

22 D.(1) Once each year during the first five years following retirement of a  
23 member on a disability retirement allowance, and once in every ~~three-year~~ three-year  
24 period thereafter, the ~~Board of Trustees~~ board of trustees may, ~~and upon his~~  
25 ~~application~~ shall; require any disability beneficiary who has not yet attained the age  
26 of sixty years to undergo a medical examination, such examination to be made at the  
27 place of residence of ~~said~~ the beneficiary or other place mutually agreed upon, by a  
28 ~~physician or physicians~~ the medical board designated by the ~~Board of Trustees~~ board  
29 of trustees. Should any disability beneficiary who has not yet attained the age of

1 sixty refuse to submit to at least one medical examination in any such year by a  
2 ~~physician or physicians~~ the medical board ~~designated by the Board of Trustees~~, his  
3 allowance may be discontinued until his withdrawal of such refusal, and should his  
4 refusal continue for one year, all his rights in and to his pensions may be revoked by  
5 the ~~Board of Trustees~~ board of trustees.

6 (2) Should the ~~Medical Board~~ medical board report and certify to the ~~Board~~  
7 ~~of Trustees~~ board of trustees that such disability beneficiary is engaged in or is able  
8 to engage in a gainful occupation paying more than the difference between his  
9 retirement allowance and the average final compensation and should the ~~Board of~~  
10 ~~Trustees~~ board of trustees concur in such report, then the amount of his pension shall  
11 be reduced to an amount which, together with his annuity and the amount earnable  
12 by him, shall equal the amount of his average final compensation. Should his  
13 earning capacity be later changed, the amount of his pension may be further  
14 modified; ~~provided, that~~ however, the new pension shall not exceed the amount of  
15 the pension originally granted nor an amount which, when added to the amount  
16 earnable by the beneficiary together with his annuity, equals the amount of his  
17 average final compensation. A beneficiary restored to active service at a salary less  
18 than the average final compensation shall not become a member of the retirement  
19 system.

20 \* \* \*

21 §3688. Administration

22 A. Board of ~~Trustees~~ trustees. (1) The general administration and  
23 responsibility for the proper operation of the retirement system and for making  
24 effective the provisions of this Subpart are hereby vested in a ~~Board of Trustees~~  
25 board of trustees which shall be organized immediately after a majority of the  
26 trustees provided for in this ~~section~~ Section shall have qualified and taken the oath  
27 of office.

28 (2)(a) The ~~Board of Trustees~~ board of trustees shall consist of eight trustees  
29 as follows:

1           ~~(i)~~(a) Two shall be members of the system with ten or more years of  
 2           creditable service, elected by vote of the membership for terms of five years each.

3           ~~(ii)~~(b) One retiree of the system elected by vote of the retirees of the system  
 4           for a term of ~~three~~ five years. The first retired member is to take office effective  
 5           January 1, 1996.

6           ~~(iii)~~(c) Two shall be members of the executive staff of the board of  
 7           commissioners of the Port of New Orleans to be appointed by the board of  
 8           commissioners for terms of ~~three~~ five years each.

9           ~~(iv)~~(d) The superintendent of the harbor police ~~and the secretary of the~~  
 10          ~~retirement board~~ shall be an ex-officio member of the board.

11          (e) The members serving pursuant to Subparagraphs (a) through (d) of this  
 12          Paragraph shall elect a seventh trustee who shall not be a member of the Harbor  
 13          Police Retirement System and who shall serve a term of three years. The first  
 14          member elected pursuant to the provisions of this Subparagraph shall take office on  
 15          August 1, 2014.

16          ~~(b)~~(f) These members shall select an eighth trustee who shall not be an  
 17          employee or a member of the dock board and who shall be experienced in investing  
 18          money and who shall serve for a term of ~~two~~ three years.

19   \*       \*       \*

20          (8) The ~~Board of Trustees~~ board of trustees shall elect from its membership  
 21          a ~~Chairman~~ chairman and shall by a unanimous vote appoint a ~~Secretary~~ secretary  
 22          who shall be one of its members.

23   \*       \*       \*

24   D.

25   \*       \*       \*

26          ~~(5)(a) Unless different actuarial assumptions are formally adopted and~~  
 27          ~~disclosed, the following assumptions shall be used in determining actuarial~~  
 28          ~~equivalents:~~

1           ~~(i) Interest shall be compounded annually at the rate of seven percent per~~  
2     ~~annum.~~

3           ~~(ii) Annuity rates shall be determined on the basis of the most current~~  
4     ~~mortality table recommended by the Society of Actuaries for retirement systems.~~

5           ~~(iii) Effective July 1, 2011, interest for calculating transfers into the Harbor~~  
6     ~~Police Retirement System and for buying back refunded service shall be eight and~~  
7     ~~one-quarter percent per annum.~~

8           ~~(b) The Board of Trustees may authorize the use of~~ board of trustees shall  
9     ~~adopt interest and mortality rates to be used in determining the actuarial equivalents,~~  
10    ~~which are~~ Such interest and mortality rates may be different from the actuarial  
11    assumptions used for other purposes in this Subpart. Any change in such ~~actuarial~~  
12    ~~assumptions~~ interest and mortality rates shall be considered a part of this retirement  
13    system and shall be considered an amendment to the provisions of this Section. In  
14    order to be effective, such change must be formally adopted by the ~~Board of Trustees~~  
15    board of trustees and disclosed to members of the retirement system.

16                           \*       \*       \*

17     Section 2. R.S. 11:3685(B) and 3687(A)(7) are hereby repealed in their entirety.

18     Section 3.(A) The terms of the members of the board of trustees serving on the  
19    effective date of this Act shall be extended as follows:

20           (1) The term of the member serving pursuant to R.S. 11:3688(A)(2)(a) as amended  
21    by this Act whose term was to expire in July of 2017 shall be extended until June 30, 2018.

22           (2) The term of the member serving pursuant to R.S. 11:3688(A)(2)(a) as amended  
23    by this Act whose term was to expire in July of 2014 shall be extended until June 30, 2019.

24           (3) The term of the retiree serving pursuant to R.S. 11:3688(A)(2)(b) as amended  
25    by this Act shall be extended to June 30, 2016.

26           (4) The term of the member serving pursuant to R.S. 11:3688(A)(2)(c) as amended  
27    by this Act whose term was to expire in June of 2015 shall be extended to June 30, 2017.

28           (5) All other trustees serving on the board on the effective date of this Act shall  
29    continue to serve until the expiration of their current term.



1 (B) The board of trustees, as amended by this Act, shall fill the board position  
2 created by R.S. 11:3688(A)(2)(e) as provided in this Act.

3 (C) Upon the effective date of this Act, the membership and term of the secretary  
4 of the retirement board on the board of trustees shall be terminated.

5 Section 4. This Act shall become effective on June 30, 2014; if vetoed by the  
6 governor and subsequently approved by the legislature, this Act shall become effective on  
7 June 30, 2014, or on the day following such approval by the legislature, whichever is later.

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#### 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)]

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Pearson

HB No. 22

**Abstract:** Relative to the Harbor Police Retirement System, increases service required for eligibility for disability benefits, authorizes payment of benefits to handicapped or disabled children, removes certain specified actuarial assumptions, and provides relative to the board of trustees.

Present law establishes the Harbor Police Retirement System in the city of New Orleans. Proposed law retains present law.

Present law provides definitions for the system statutes. Proposed law makes technical changes to the definition of "medical board".

Present law provides that "accumulated contribution" means amounts credited to retirement and includes interest earned on the employee's contributions. Proposed law retains present law for employees hired on or before June 30, 2014. Proposed law provides that for employees hired on or after July 1, 2014, "accumulated contribution" does not include interest on the employee's contributions.

Present law provides for payment benefits to surviving spouses and children of members. Proposed law changes the categories of people who may receive such benefits. Proposed law provides that a surviving totally physically or mentally disabled child, regardless of age, who is dependent on a legal guardian for subsistence, is entitled to receive benefits. Requires the legal guardian to notify the board if the child becomes independent or if there are any changes in the assistance being received from other state agencies. Further requires the legal guardian to provide proof of the child's physical or mental disability. Authorizes the board to require a certified statement of the child's eligibility for the survivor benefit at the end of each calendar year.

Present law provides that if a member dies who does not have a wife or children, the member's parents may receive survivor benefits. Proposed law removes this provision.

Present law creates a "Deferred Retirement Option Plan" (DROP), which provides that in lieu of immediate termination of employment and receipt of a service retirement allowance, a member may continue in employment for a specified period of time and defer receipt of retirement benefits until the end of such period of employment. Proposed law makes technical changes.

Present law provides for disability retirement. Present law provides that a member may retire with disability benefits after five years of creditable service. Proposed law retains present law for employees hired on or before June 30, 2014. For employees hired on or after July 1, 2014, proposed law requires such employee to have 10 years of creditable service in order to be eligible for a disability benefit.

Present law provides a time frame within which a member who files for disability retirement may be retired by the board. Proposed law repeals this provision.

Present law establishes the governing board of the system and provides terms of office for the board members. Proposed law extends the terms of office for certain board members. Proposed law further removes the secretary of the retirement board as a member and adds a member to the board and establishes a three-year term for such member. Provides for election of the new member by the other members.

Present law provides relative to actuarial assumptions used by the governing board. Provides that unless different actuarial assumptions are formally adopted and disclosed, the following assumptions shall be used in determining actuarial equivalents:

- (1) Interest shall be compounded annually at the annual rate of 7%.
- (2) Annuity rates shall be determined on the basis of the most current mortality table recommended by the Society of Actuaries for retirement systems.
- (3) Effective July 1, 2011, interest for calculating transfers into the Harbor Police Retirement System and for buying back refunded service shall be 8.25%.

Proposed law deletes present law. Present law relative to such actuarial assumptions further authorizes the governing board to use interest and mortality rates in determining the actuarial equivalents which are different from the actuarial assumptions used for other purposes in present law. Proposed law requires the governing board to adopt interest and mortality rates. Retains present law authorizing use of rates for actuarial equivalents that are different from rates for other purposes.

Effective June 30, 2014.

(Amends R.S. 11:3682(1) and (18), 3685(A)(2)(intro. para.), (d), and (e) and (C)(intro. para.), (6), (7)(intro. para.), (9), (10), (13), and (14)(intro. para.), 3686(A) and (D)(1) and (2), and 3688(A)(intro. para.), (1), (2), and (8) and (D)(5); Repeals R.S. 11:3685(B) and 3687(A)(7))