

Regular Session, 2014

HOUSE BILL NO. 27

BY REPRESENTATIVE ARNOLD

1 AN ACT

2 To amend and reenact R.S. 11:3385.1, relative to the Deferred Retirement Option Plan in the
3 Firefighters' Pension and Relief Fund in the city of New Orleans; to provide
4 definitions; to provide relative to participation in the plan; to provide relative to
5 benefits of the plan; to provide relative to beneficiaries of such benefits; to provide
6 relative to accounting of plan benefits; to provide relative to distribution of benefits;
7 to provide for appeals of determinations made under the plan provisions; to provide
8 relative to the tax status of benefits; to provide relative to interest credits; and to
9 provide for related matters.

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

13 Be it enacted by the Legislature of Louisiana:

14 Section 1. R.S. 11:3385.1 is hereby amended and reenacted to read as follows:

15 §3385.1. Deferred Retirement Option Plan

16 A.(1) As used in this Section the term "DROP account" shall mean the
17 notional account maintained and reconciled for recordkeeping purposes under the
18 Deferred Retirement Option Plan as an ancillary payment option.

19 (2) In lieu of terminating employment and accepting a service retirement
20 allowance under R.S. 11:3381 and 3384, any member of this system who has not less
21 than twelve years of creditable service in this system and who is eligible to receive
22 a service retirement benefit may elect to participate in the Deferred Retirement
23 Option Plan and defer the receipt of benefits as an ancillary form of payment in
24 accordance with the provisions of this Section.

1 B. For purposes of this Section, creditable service shall include service credit
2 reciprocally recognized under R.S. 11:142, but for eligibility purposes only.

3 C. ~~The duration of participation~~ participation period in the Deferred
4 Retirement Option Plan shall not exceed ~~five years~~ sixty months and shall
5 automatically terminate at the expiration of sixty months. A member may terminate
6 his participation in the Deferred Retirement Option Plan at any time by written
7 notification to the board of trustees.

8 D. A member may participate in the Deferred Retirement Option Plan only
9 once.

10 E. ~~Upon the effective date of the commencement of participation~~ Within a
11 reasonable period of time after properly filing an application to participate in the
12 Deferred Retirement Option Plan, ~~membership in this system shall terminate and~~
13 neither employee nor employer contributions shall be payable ~~to~~ on behalf of the
14 member's individual account balance in the Deferred Retirement Option Plan
15 member into the system during the participation period. ~~For purposes of this~~
16 ~~Section, compensation~~ Compensation and creditable service shall be determined
17 ~~remain as they existed~~ on the effective date of commencement of participation in the
18 Deferred Retirement Option Plan; or as otherwise permitted under applicable law.
19 During the participation period, a member is prohibited from accruing additional
20 creditable service under the system.

21 F. A ~~person~~ member who participates in the Deferred Retirement Option
22 Plan shall not be eligible to receive a cost-of-living increase from the retirement
23 system while participating and shall not be eligible until his employment which
24 makes him eligible to be a member of this system has been terminated for at least
25 one full year.

26 G. During the participation period, the ~~The~~ monthly retirement ~~benefits~~
27 benefit that would have been payable from this system, had the member elected to
28 cease employment and receive a service retirement allowance, shall be ~~paid into the~~
29 member's individual credited to the DROP account ~~in the Deferred Retirement~~
30 ~~Option Plan~~. ~~Upon termination of employment from the fire department, deferred~~

1 ~~benefits shall be payable as provided by Subsection H of this Section. The member's~~
 2 DROP account shall at all times, until distributed in its entirety, be subject to the
 3 annual benefit limitations under Internal Revenue Code Section 415(b) and
 4 applicable Treasury Regulations as applied to governmental plans.

5 ~~G.H.(1) The individual account balance in the Deferred Retirement Option~~
 6 ~~Plan During the participation period, or until termination of employment, if earlier,~~
 7 the member's DROP account shall not be subject to any fees, charges, or similar
 8 expenses of any kind for any purpose during the member's participation in the
 9 ~~Deferred Retirement Option Plan as a member of the fire department, nor shall the~~
 10 ~~individual DROP account balance accrue or earn any interest or earnings of any kind~~
 11 ~~during such period of participation.~~

12 (2) Beginning January 1, 2015, and continuing each year thereafter, upon
 13 expiration of the participation period or termination of employment, if earlier, and
 14 each year until the member's DROP account is distributed in its entirety, interest
 15 shall be allocated annually to all member DROP accounts based on a five-year
 16 rolling average of the composite rate of return of the pension fund as determined by
 17 the system actuary, less an administrative fee as determined by the board of trustees.
 18 Prior to January 1, 2015, interest shall be allocated each year ~~Upon completion of~~
 19 ~~participation in the Deferred Retirement Option Plan, the individual account of any~~
 20 ~~member who continues employment with the fire department shall earn interest each~~
 21 ~~year based on the one-year composite rate of return of the pension fund, minus a two~~
 22 ~~percent less an administration fee determined by the board of trustees, not to exceed~~
 23 ~~two percent, to be deducted from the individual account each year. The balance of~~
 24 the member's DROP account shall not be diminished or impaired.

25 ~~H.I. Upon termination of employment from the fire department, a participant~~
 26 At any time after termination of employment and after filing an application on a
 27 form acceptable by the board of trustees, a member who participated in the Deferred
 28 ~~Retirement Option Plan shall receive a lump sum payment equal to the payments~~
 29 ~~made to his individual account in~~ may elect to receive, in addition to other applicable
 30 benefits, withdrawals from his DROP account ~~the Deferred Retirement Option Plan,~~

1 plus any interest earned, ~~and minus less~~ any administrative fees ~~deducted from his~~
2 account, established by the board of trustees, in any form of payment approved by
3 the board of trustees, upon his written application therefor. Such application may
4 ~~be made at any time after the member's employment with the fire department~~
5 ~~terminates. Thereafter, the monthly benefits that were being paid into the individual~~
6 ~~account balance in the Deferred Retirement Option Plan during the period of~~
7 ~~participation shall begin being paid to the retiree. The board of trustees shall~~
8 distribute the member's monthly benefits and DROP account withdrawals within a
9 reasonable period of time after receipt of the written request.

10 ~~F.J. If a member dies during the period of participation in before distribution~~
11 ~~of his DROP account is made in its entirety, the member's named beneficiary may~~
12 ~~elect to receive the balance of the member's DROP account the Deferred Retirement~~
13 ~~Option Plan, a lump sum payment equal to the payments made to his individual~~
14 ~~account in the Deferred Retirement Option Plan shall be paid to his named~~
15 ~~beneficiary or, if none, to his estate upon written application to the fund office; in~~
16 ~~any form of payment approved by the board of trustees in addition; to any normal~~
17 ~~survivor benefits payable to survivors of retirees under this retirement system shall~~
18 ~~be payable. If there is no valid designation of a beneficiary, the member's DROP~~
19 ~~account shall be distributed in any form of payment approved by the board of~~
20 trustees to the following individuals in the following order:

21 (1) The surviving spouse.

22 (2) The surviving child or children, to be shared equally.

23 (3) The surviving parents.

24 (4) The deceased member's estate.

25 ~~J. Any payment to be made from a member's individual account balance in~~
26 ~~the Deferred Retirement Option Plan shall be made as a lump sum payment. The~~
27 ~~member or his beneficiary may, however, elect to receive only a part of the~~
28 ~~individual account balance, subject to the rules and regulations established by the~~
29 ~~board of trustees.~~

1 K.(1) ~~If employment is not terminated at the end of the period of~~
 2 ~~participation, payments into the individual account balance in the Deferred~~
 3 ~~Retirement Option Plan shall cease.~~

4 ~~(2) Payment from the individual account balance in the Deferred Retirement~~
 5 ~~Option Plan shall not be made until employment is terminated, nor shall the monthly~~
 6 ~~benefits being paid into the Deferred Retirement Option Plan during the period of~~
 7 ~~participation be payable to the individual until he terminates employment.~~

8 ~~(3) If employment is not terminated at the end of the period of participation,~~
 9 ~~the member shall resume active membership in the system and accrual of further~~
 10 ~~benefits pursuant to the rules of this retirement system, and subject to the provisions~~
 11 ~~of Paragraph (7) of this Subsection. As provided by Subsection G of this Section,~~
 12 ~~the individual account of a member whose employment is not terminated at the end~~
 13 ~~of the period of participation shall earn interest and shall be assessed administrative~~
 14 ~~fees for each year the member remains an active member in the system.~~

15 ~~(4) Upon termination of employment following the period of participation~~
 16 ~~in the Deferred Retirement Option Plan, a lump sum payment equal to the payments~~
 17 ~~made to his individual account in the Deferred Retirement Option Plan during the~~
 18 ~~period of participation shall begin to be paid to the retiree. The After~~
 19 ~~commencement of the participation period, the retiree member may not change the~~
 20 ~~distribution option originally selected except as provided in Subparagraph (7)(d) of~~
 21 ~~this Subsection, nor may the retiree change any or the beneficiary designation~~
 22 ~~originally made when he commenced participation in the Deferred Retirement~~
 23 ~~Option Plan except as provided in Subparagraph (7)(d) of this Subsection designated~~
 24 ~~pursuant to R.S. 11:3385 only as provided by the laws or rules of the system.~~

25 (2) The member may change the beneficiary designated to receive the
 26 balance of the member's DROP account at any time by filing a beneficiary
 27 designation in writing on a form acceptable to the board of trustees.

28 ~~(5) If the member's employment terminates by reason of his death following~~
 29 ~~the period of participation in the Deferred Retirement Option Plan, a lump sum~~
 30 ~~payment equal to the balance in his individual account in the Deferred Retirement~~

1 Option Plan shall be paid to his named beneficiary or, if none, to his estate, upon
2 written application made to the fund office; in addition, normal survivor benefits
3 payable to survivors of retirees under this retirement system shall be payable.

4 ~~(6) If the member becomes disabled and terminates his employment~~
5 ~~following the period of participation in the Deferred Retirement Option Plan, a lump~~
6 ~~sum payment equal to the payments made to his individual account in the Deferred~~
7 ~~Retirement Option Plan shall be paid to the member upon written application to the~~
8 ~~fund office. The monthly benefits that were being paid into the Deferred Retirement~~
9 ~~Option Plan during the period of participation shall begin being paid to the retiree.~~

10 ~~(7) Upon termination of employment, the retiree shall receive an L. Upon~~
11 ~~termination of participation in the plan but not employment, credits to the DROP~~
12 ~~account shall cease, and no retirement benefits shall be paid to the member until~~
13 ~~employment is terminated. No payment shall be made based on credits in the~~
14 ~~account until employment is terminated. During such period of continued~~
15 ~~employment, employer and employee contributions shall resume, and the member~~
16 ~~shall accrue additional creditable service and an additional retirement benefit based~~
17 ~~solely on any additional service rendered since termination of participation in the~~
18 ~~Deferred Retirement Option Plan, using the normal method of computation of the~~
19 ~~benefits, as permitted under applicable law or the administrative code adopted by the~~
20 ~~board, subject to the following:~~

21 ~~(a)(1) If the member was first employed after December 31, 1967, and his~~
22 ~~member's period of additional service is less than his average compensation period~~
23 ~~at the commencement of participation in the Deferred Retirement Option Plan, the~~
24 ~~average compensation figure used to calculate the additional benefit shall be that~~
25 ~~used to calculate his original benefit. If his period of additional service is equal to~~
26 ~~or longer than his average compensation period at the commencement of~~
27 ~~participation in the Deferred Retirement Option Plan, the average compensation~~
28 ~~figure used to calculate the additional benefit shall be based on his compensation~~
29 ~~during the period of additional service.~~

1 ~~(b) If the member was first employed before December 31, 1967, and his~~
2 ~~period of additional service is less than one year, the average compensation figure~~
3 ~~used to calculate the additional benefit shall be that used to calculate his original~~
4 ~~benefit. If his period of additional service is twelve or more months, the average~~
5 ~~compensation figure used to calculate the additional benefit shall be based on his~~
6 ~~compensation during the period of additional service.~~

7 ~~(c)(2) Both the~~ The distribution option originally selected and the beneficiary
8 ~~designated pursuant to R.S. 11:3385 when the member commenced participation in~~
9 ~~the Deferred Retirement Option Plan shall also apply to any additional benefits~~
10 ~~accrued based on for additional creditable service: earned. If the beneficiary~~
11 ~~designated pursuant to R.S. 11:3385 predeceases the member, the member~~ ~~(d) The~~
12 ~~beneficiary designated to receive the additional retirement benefit shall be the same~~
13 ~~beneficiary designated to receive the original benefit, unless that beneficiary has~~
14 ~~predeceased the member. In that event, he shall designate a new beneficiary for any~~
15 ~~additional benefits accrued.~~

16 ~~(e) If the member was first employed before December 31, 1967, and~~
17 ~~originally elected to retire with benefits under the new system applicable to~~
18 ~~employees employed after that date, the election shall also apply to any additional~~
19 ~~benefits accrued for additional service. If he elected to retire with benefits applicable~~
20 ~~to employees employed before December 31, 1967, the election shall also apply to~~
21 ~~any additional benefits accrued for additional service.~~

22 ~~(f)(3) If the member is found by the board to be disabled pursuant to R.S.~~
23 ~~11:3376, the service-connected disability benefit shall be limited to the additional~~
24 ~~amount payable pursuant to R.S. 11:3381 or 3384 based on service rendered since~~
25 ~~termination of participation in the Deferred Retirement Option Plan. The lump sum~~
26 ~~payment made from the individual account balance in the Deferred Retirement~~
27 ~~Option Plan shall be paid to the member within one year of termination of~~
28 ~~employment, and the monthly payments that were being paid into the Deferred~~
29 ~~Retirement Option Plan during the period of participation shall begin to be paid to~~
30 ~~the retiree. The~~ the ~~board's service-connected disability determination made~~

1 ~~pursuant to this Subparagraph~~ shall apply to all benefits paid to and accrued by the
 2 member based on all creditable service rendered ~~both before and since termination~~
 3 ~~of participation in the Deferred Retirement Option Plan~~ as a member and to the
 4 DROP account.

5 ~~(g)(i)(4)(a)~~ In no event shall the The additional benefit shall not exceed an
 6 amount which, when combined with the original benefit, equals one hundred percent
 7 of the average of any three highest consecutive years of compensation earned by a
 8 member electing to retire under the old system both during participation and after
 9 leaving the Deferred Retirement Option Plan.

10 ~~(ii)(b)~~ In no event shall the The additional benefit shall not exceed an amount
 11 which, when combined with the original benefit, equals one hundred percent of the
 12 average of any four highest consecutive years of compensation earned by a member
 13 retiring under the new system with an average compensation period of four years,
 14 both during participation and after leaving the Deferred Retirement Option Plan.

15 ~~(iii)(c)~~ For any member whose average compensation period is longer than
 16 four years, ~~in no event shall~~ the additional benefit shall not exceed an amount which,
 17 when combined with the original benefit, equals one hundred percent of the average
 18 of the highest consecutive months of compensation for any period equal to the
 19 average compensation period applicable when the member entered the Deferred
 20 Retirement Option Plan, both during participation and after leaving the Deferred
 21 Retirement Option Plan.

22 L.M. In lieu of terminating employment and accepting a service retirement
 23 allowance under R.S. 11:3381 and 3384, any member of this system who has not less
 24 than twelve years of creditable service in this system, and who is eligible to receive
 25 a service retirement benefit, may elect to participate in the Deferred Retirement
 26 Option Plan on a retroactive basis, and receive a ~~lump-sum~~ lump-sum benefit of up
 27 to five years, based upon the value of the pension benefit on the retroactive date
 28 selected.

29 M.N. Notwithstanding any other provision of law to the contrary, a member
 30 may participate in the Deferred Retirement Option Plan provided by this Section and

1 also make an election to receive an initial ~~lump-sum~~ lump-sum benefit as set forth
2 in R.S. 11:3385.2.

3 O. Any appeal of a determination made pursuant to the provisions of this
4 Section shall be lodged and conducted pursuant to the laws and rules of the system.

SPEAKER OF THE HOUSE OF REPRESENTATIVES

PRESIDENT OF THE SENATE

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____