
DIGEST

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Arnold

HB No. 27

Abstract: Provides relative to the Deferred Retirement Option Plan (DROP) within the Firefighters' Pension and Relief Fund in the city of New Orleans (NOFF).

Present law authorizes qualifying members of NOFF to enter DROP upon attaining sufficient age and years of creditable service. Provides that while participating in DROP, the member is treated as though he is retired, and his benefit check is paid to his DROP account while he continues working. The DROP participation period may not exceed five years. Proposed law retains present law.

Present law provides for individual member accounts within DROP. Proposed law provides that DROP accounts are notional accounts for recordkeeping purposes only.

Present law provides that upon commencement of participation in DROP, membership in the system shall terminate. Proposed law removes present law. Present law allows the member to continue employment after DROP and to accrue additional benefits in the system for all post-DROP employment. Proposed law retains present law.

Present law requires employee and employer contributions to cease while the member is in DROP. Further requires employee and employer contributions to resume if the member continues employment after completing DROP. Proposed law retains present law.

Proposed law provides that the DROP account shall be subject to Internal Revenue Service laws, rules, and regulations covering governmental defined benefit plans.

Present law provides that DROP accounts are not subject to fees, charges, or expenses during the member's period of participation. Further prohibits interest credits to the accounts during the period of participation. Proposed law retains present law.

Present law provides that if a member continues employment after his DROP participation, his account shall be credited with interest each year based on the composite one-year rate of return of the fund. Proposed law removes the requirement that the member continue employment after his DROP participation in order to receive interest on his account. Retains present law calculation of interest credits until Jan. 1, 2015. Proposed law provides that on and after Jan. 1, 2015, interest shall be credited to all DROP accounts based on a five-year rolling average of the composite rate of return of the fund.

Present law authorizes a flat 2% administration fee. Proposed law authorizes the board to set the administration fee each year, up to a maximum of 2%.

Proposed law provides that in no event shall the member's account be diminished or impaired.

Present law requires the administration fee to be deducted from DROP accounts. Proposed law repeals present law. Further requires the administration fee established by the board to be deducted from the interest credit amount prior to interest being credited to the account.

Proposed law requires the board of trustees to distribute a retiree's DROP withdrawals within a reasonable period of time from receipt of the member's written request for such.

Present law provides that if a member dies during participation in DROP, a lump-sum payment of his account shall be paid to his named beneficiary. If there is no named beneficiary, the lump sum shall be paid to his estate. Proposed law provides that if a member dies at any time before his DROP account has been distributed in its entirety, the named beneficiary may elect to receive the balance of the member's DROP account in any form of payment approved by the board of trustees. Further provides that if there is no named beneficiary, the account shall be distributed to the following individuals, in the following order:

- (1) The surviving spouse.
- (2) The surviving child or children, to be shared equally.
- (3) The surviving parents.
- (4) The deceased member's estate.

Present law authorizes a member to change his beneficiary designation after starting DROP if the designated beneficiary predeceases the member. Proposed law authorizes a member to change his beneficiary designation in accordance with the laws and rules of the system. Further authorizes the member to change the beneficiary designated to receive his DROP account balance at any time by filing a form with the board.

Present law authorizes a member who finishes DROP and continues working to change his beneficiary designation only if the beneficiary predeceases the member. Proposed law retains present law.

Present law provides that for a member continuing employment after DROP a service-connected disability determination shall only apply to service rendered after DROP. Proposed law provides that the service-connected disability determination for such a member applies to all service and includes the DROP account.

Present law authorizes a member to participate in DROP on a retroactive basis. Further authorizes a participant in DROP to receive an initial lump sum benefit, notwithstanding present

law. Proposed law retains present law.

Proposed law provides that any appeal of a determination made pursuant to present law and proposed law shall be lodged and conducted pursuant to the laws and rules of the system.

(Amends R.S. 11:3385.1)

Summary of Amendments Adopted by House

Committee Amendments Proposed by House Committee on Retirement to the original bill.

1. Removes provisions requiring administrative expenses to be deducted from DROP accounts and provides instead for removing administrative expenses from the interest credit amount before interest is credited to the DROP account.