Arnold (HB 27) **Act No. 608**

New law provides relative to the Deferred Retirement Option Plan (DROP) within the Firefighters' Pension and Relief Fund in the city of New Orleans (NOFF), as more fully explained below.

Existing 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.

Prior law provided for individual member accounts within DROP. New law provides that DROP accounts are notional accounts for recordkeeping purposes only.

Prior law provided that upon commencement of participation in DROP, membership in the system terminated. New law removes prior law.

Existing law allows the member to continue employment after DROP and to accrue additional benefits in the system for all post-DROP employment.

Existing 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.

New law provides that the DROP account shall be subject to Internal Revenue Service laws and Treasury regulations covering governmental plans.

Existing 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.

Prior law provided that if a member continued employment after his DROP participation, his account would have been credited with interest each year based on the composite one-year rate of return of the fund. New law removes the requirement that the member continue employment after his DROP participation in order to receive interest on his account. Further 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.

Prior law authorized a flat 2% administration fee. New law authorizes the board to set the administration fee each year, up to a maximum of 2%.

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

Prior law required the administration fee to be deducted from DROP accounts. New law requires the administration fee established by the board to be deducted from the interest credit amount prior to interest being credited to the account.

New 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. Prior law provided for lump-sum payments. New law provides for payments in any form approved by the board.

Prior law provided that if a member died during participation in DROP, a lump-sum payment of his account would have been paid to his named beneficiary. If there was no named beneficiary, the lump sum would have been paid to his estate. New 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.

Prior law authorized a member to change his beneficiary designation after starting DROP if the designated beneficiary predeceased the member. New 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.

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

Prior law provided that for a member continuing employment after DROP, a service-connected disability determination would only apply to service rendered after DROP. New law provides that the service-connected disability determination for such a member applies to all service and includes the DROP account.

Existing 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 existing law.

New law provides that any appeal of a determination made pursuant to existing law or new law shall be lodged and conducted pursuant to the laws and rules of the system.

Effective Aug. 1, 2014.

(Amends R.S. 11:3385.1)