
DIGEST

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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 and 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)