

Regular Session, 2011

HOUSE BILL NO. 325

BY REPRESENTATIVE MONTOUCET

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

RETIREMENT/STATE EMPS: Relative to the La. State Employees' Retirement System (LASERS), allows certain individuals to rescind their originally selected retirement option under certain circumstances

1 AN ACT

2 To amend and reenact R.S. 11:446(C) and to enact R.S. 11:446.1, relative to the Louisiana  
3 State Employees' Retirement System; to provide with respect to revocation of the  
4 benefit option selected at the time of commencement in the Deferred Retirement  
5 Option Plan; to allow a retiree's monthly benefit to be equivalent to the maximum  
6 allowance under certain circumstances; to provide an effective date; and to provide  
7 for related matters.

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

11 Be it enacted by the Legislature of Louisiana:

12 Section 1. R.S. 11:446(C) is hereby amended and reenacted and R.S. 11:446.1 is  
13 hereby enacted to read as follows:

14 §446. Mode of payment where option elected

15 \* \* \*

16 C. No change in the option elected by the member, other than to correct  
17 administrative error, or as provided in R.S. 11:446.1, shall be permitted after the  
18 application has been officially filed with the board.

19 \* \* \*

1        §446.1. Deferred Retirement Option Plan; revocation of originally selected option;  
2                    calculation of monthly retirement benefits

3                    A. Notwithstanding any provision of law to the contrary, any participant in  
4                    the Deferred Retirement Option Plan who completes his period of participation in the  
5                    plan may make a one-time election to revoke the option selected at the time of  
6                    commencement of participation in the plan, provided the participant elects to make  
7                    such revocation before termination of employment and meets all of the following  
8                    conditions:

9                    (1) At the time of commencement of participation in the plan the participant  
10                   did not have a spouse.

11                   (2) At the time of election to revoke his originally selected option the  
12                   participant does not have a spouse.

13                   (3) At the time of commencement of participation in the plan the participant  
14                   selected Option 2 or Option 3.

15                   (4) The participant did not select a former spouse as the beneficiary of the  
16                   originally selected option.

17                   B. Upon revocation of the originally selected option, the participant shall be  
18                   considered as having selected the maximum allowance and shall not be permitted to  
19                   select another option under which he could designate a new beneficiary.

20                   C. The revocation of the participant's originally selected option shall be  
21                   considered effective on the completion date of his period of participation in the plan  
22                   and shall not be retroactively applicable to the monthly credits made to his plan  
23                   account during the period of participation.

24                   D. Any person who elects to revoke the option selected at the time of  
25                   commencement of participation in the plan, as provided by Subsection A of this  
26                   Section, shall retain his individual plan account balance at the time of such  
27                   revocation which shall be equal to the amount accrued during the period of  
28                   participation in the plan under the originally selected option, and shall include any

1        and all accruals applicable and credited to such account balance after termination of  
2        participation as though he had not made such revocation.

3                E. Notwithstanding the provisions of R.S. 11:450(D), the monthly retirement  
4        benefits payable to a participant who elected to revoke the originally selected option  
5        in accordance with Subsection A of this Section, upon termination of employment,  
6        shall be calculated as follows:

7                (1) There shall be a "base benefit" which shall equal the participant's  
8        monthly maximum allowance as calculated at the time of the participant's entry into  
9        the plan.

10               (2) If the participant does not continue employment after termination of  
11        participation in the plan, his monthly retirement benefit shall equal his base benefit.

12               (3) If the participant continues employment after termination of participation  
13        in the plan for a period of less than thirty-six months, his monthly retirement benefit  
14        shall equal his base benefit plus a supplemental benefit based upon the service credit  
15        for the additional employment and based upon the final average compensation used  
16        to calculate the base benefit. If the employment is for less than three months, then  
17        the service credit shall be rounded to the nearest tenth.

18               (4) If the participant continues employment after termination of participation  
19        in the plan for a period of thirty-six months or more, his monthly retirement benefit  
20        shall equal his base benefit plus a supplemental benefit based upon the service credit  
21        for the additional employment and based upon the final average compensation for  
22        the period of employment after termination of participation in the plan.

23               (5) The amount of unused sick and annual leave at the time of termination  
24        of employment may be converted to retirement credit under the provisions of R.S.  
25        11:424. If a participant continues employment for less than three years after  
26        termination of participation in the plan, then unused sick and annual leave shall be  
27        used to compute a supplemental benefit using the member's final average  
28        compensation as provided in Paragraph (3) of this Subsection. If a participant  
29        continues employment for more than three years after termination of participation

1 in the plan, then unused sick and annual leave shall be used to compute a  
 2 supplemental benefit using the member's final average compensation as provided in  
 3 Paragraph (4) of this Subsection.

4 (6) In no instance shall a supplemental benefit and a base benefit, added  
 5 together, exceed one hundred percent of the applicable final average compensation.

6 F. All laws and provisions of law applicable to participants of the Deferred  
 7 Retirement Option Plan that are not in conflict with the provisions of this Section  
 8 shall apply to Deferred Retirement Option Plan participants to whom this Section  
 9 apply.

10 Section 2. This Act shall become effective on July 1, 2011; if vetoed by the governor  
 11 and subsequently approved by the legislature, this Act shall become effective on July 1,  
 12 2011, 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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Montoucet

HB No. 325

**Abstract:** Relative to the La. State Employees' Retirement System (LASERS), allows certain Deferred Retirement Option Plan (DROP) participants to revoke the benefit option selected at the time of commencement in DROP and to revert to the maximum benefit allowance under certain circumstances.

Present law (R.S. 11:446) provides a LASERS retiree with several benefit payment options for his monthly retirement benefit. A member may choose the maximum option, whereby no benefits shall be payable to a beneficiary upon his death, or may choose from several options which reduce his monthly benefit but will provide a benefit to his designated beneficiary upon his death.

Present law (R.S. 11:447-454) provides generally for a DROP plan within LASERS, wherein a member, upon reaching retirement eligibility, may elect to participate in such plan. In so doing, such participant must choose one of the retirement options provided for in present law (R.S. 11:446). Such participant's retirement benefit is calculated based on such option and his monthly benefit (base benefit) is deposited into his DROP account for the duration of DROP participation, which shall not exceed three years. The participant's Final Average Compensation (FAC), upon which his base benefit is calculated, and his service credit are frozen during the DROP participation period.

Present law (R.S. 11:450(D)) provides that upon retirement, a DROP participant's benefit shall be as follows:

- (1) If he terminates service immediately after DROP, his benefit shall be his "base benefit".

- (2) If he works for less than three years after DROP his benefit shall be his base benefit plus a supplemental benefit based on the number of years of service after DROP. The FAC used to calculate the supplemental benefit shall be the same frozen FAC used to calculate his base benefit.
- (3) If he works for more than three years after DROP his benefit shall be his base benefit plus a supplemental benefit based on the number of years of service after DROP. The FAC used to calculate the supplemental benefit shall be the FAC he had during his post-DROP service.

Proposed law permits a DROP participant to revoke his originally selected retirement option and revert to the maximum benefit if:

- (1) At the time of DROP entry he was not married
- (2) At the time of revocation he is not married.
- (3) The participant selected either Option 2 or 3 as his original option.
- (4) The beneficiary of the originally selected option is not a former spouse.

Proposed law provides that if a participant revokes his original option, the accumulated funds in his DROP account shall not be altered retroactively.

Proposed law further provides that a participant who revokes his original option shall have his benefit upon retirement calculated in the same manner as provided under present law (R.S. 11:450(D)) except that his "base benefit" upon retirement shall be the maximum benefit option.

Effective July 1, 2011.

(Amends R.S. 11:446(C); Adds R.S. 11:446.1)