

## MEMORANDUM

TO: ALL MUNICIPALITIES

FROM: ROBERT L. RUST, ADMINISTRATIVE DIRECTOR

RE: ACTS OF THE 2006 REGULAR SESSION OF THE LOUISIANA  
LEGISLATURE WHICH AFFECT THE MUNICIPAL EMPLOYEES'  
RETIREMENT SYSTEM

DATE: AUGUST 14, 2006

### INTEREST PAID ON DEFERRED RETIREMENT OPTION PLAN ACCOUNTS

**ACT NO. 590** (Senate Bill No. 332 by Senator Gautreaux) amended the statute that governs interest payable on the system's members' Deferred Retirement Option Plan (DROP) accounts.

Previously, if a person had completed the DROP program, their account was credited with interest on the funds that were left on deposit with the system on June 30<sup>th</sup> of each year. This interest was credited to their account once each year.

The act provides that interest shall be credited to each individual account balance on a daily basis. This interest will be posted to each account monthly.

The act became effective as law on July 1, 2006.

### INTERRUPTIONS IN DEFERRED RETIREMENT OPTION PLAN PERIODS

**ACT NO. 678** (House Bill No. 178 by Representative Schneider) enacted a statute relative to all Louisiana public retirement systems to provide for interruptions in DROP entry and DROP participation periods occasioned by Hurricanes Katrina and Rita.

The act provides that any employee who is a member of a state or statewide retirement system, who has not retired, whose participation in the Deferred Retirement Option Plan of that system was interrupted or ceased upon his being terminated due to a reduction-in-force necessitated by Hurricane Katrina or Hurricane Rita or both, shall have the time period applicable to his plan participation adjusted upon his reemployment and resumption of membership in the retirement

system to which he belonged before being terminated. However, in no case shall this Section be applicable to anyone who becomes reemployed more than one year after being furloughed or terminated, whichever occurs first, or to anyone reemployed on or after December 31, 2006.

The act became effective as law on June 29, 2006.

#### **FIVE YEAR COMPENSATION AVERAGING FOR NEW MEMBERS**

**ACT 780** (House Bill No. 922 by Representative Schneider) amended and enacted a statute relative to changes in the final average compensation calculation period for **new members** of the state and statewide retirement systems of Louisiana.

The act provides that final compensation for a member whose first employment making him eligible for membership in the system **began on or after July 1, 2006**, means the average monthly earnings during the highest **sixty** consecutive months or joined months if service was interrupted.

If employment is not terminated at the end of the DROP participation period, and his first employment making him eligible for membership in the system **began on or after July 1, 2006**, and his period of additional service is **less than sixty** months, the average compensation figure used to calculate the additional benefit shall be that used to calculate his original benefit.

If his first employment making him eligible for membership in the system **began on or after July 1, 2006**, and his period of additional service is **sixty or more** months, the average compensation figure used to calculate the additional benefit shall be based on his compensation during the period of additional service.

The act became effective as law on June 30, 2006.

Please call our office if you have questions concerning any of the changes discussed in this memorandum. If you would like copies of any of the acts.