

INITIAL REPORT TO THE LEGISLATURE
Department of the Treasury
Board of Trustees of the Louisiana State Employees' Retirement System
Part I. Louisiana State Employees' Retirement System
DROP Program
(LAC 58:I.2713)

The Department of the Treasury, Board of Trustees of the Louisiana State Employees' Retirement System ("LASERS") proposes amendment of a provision in Chapter 27 of Part I of LAC Title 58. The proposed rule change is required to comply with changes in federal law made by the SECURE 2.0 Act of 2022, which became law in December of 2022. The Act changed the time when a Required Minimum Distribution ("RMD") must be made from Deferred Option Retirement Plan ("DROP") accounts of LASERS retirees. The age was moved from age 72 to age 73. Section 2713 must be amended to conform to that change. The proposed rule change complies with and is enabled by R.S. 11:515. The intent is to put the rule changes into place on August 20, 2023.

Cindy Rougeou
Executive Director

NOTICE OF INTENT

Department of the Treasury
Board of Trustees of the Louisiana State Employees' Retirement System
Part I. Louisiana State Employees' Retirement System
DROP Program
(LAC 58:I.2713)

The Department of the Treasury, Board of Trustees of the Louisiana State Employees' Retirement System ("LASERS") proposes amendment of a provision in Chapter 27 of Part I of LAC Title 58. The proposed rule change is required to comply with changes in federal law made by the Secure Act, which became law in December of 2019. The Act changed the time when a Required Minimum Distribution ("RMD") must be made from Deferred Option Retirement Plan ("DROP") accounts of LASERS retirees. The age was moved from age 70 ½ to age 72. Section 2713 must be amended to conform to that change. The proposed rule change complies with and is enabled by R.S. 11:515.

Family Impact Statement

The proposed Rule repeal is not anticipated to have an impact on family formation, stability, or autonomy as described in R.S. 49:972.

Poverty Impact Statement

The proposed rule is not anticipated to have an impact on poverty as described in R.S. 49:973.

Small Business Statement

The proposed rule is not anticipated to have an adverse impact on small businesses as defined in R.S. 49:978.

Provider Impact Statement

The proposed rule is not anticipated to have an impact on providers of services funded by the state as defined by HCR 170 of the 2014 Regular Legislative Session.

Public Comments

Interested persons may submit written comments on the proposed changes until 4:30 p.m. October 10, 2020 to Steve Stark, Board of Trustees for the Louisiana State Employees' Retirement System, P.O. Box 44213, Baton Rouge, LA 70804.

Cindy Rougeou, Executive Director

Chapter 27. DROP Program

Subchapter C. Withdrawal

§2713. Time for Disbursement

A.-B. ...

C. When a retiree reaches age 73, mandatory annual distributions shall begin in accordance with IRS regulations. The amount of the distributions will be recalculated annually.

D.

AUTHORITY NOTE: Promulgated in accordance with R.S. 11:515.

HISTORICAL NOTE: Promulgated by the Department of Treasury, Board of Trustees of the State Employees' Retirement System, LR 22:373 (May 1996), amended LR 25:2466 (December 1999), LR 29:1121 (July 2003), LR 30:2079 (September 2004), LR 32:1070 (June 2006), LR 35:2476 (November 2009), LR 46:1695 (December 2020), LR 49:.

provided to LASERS, in writing, no later than November 15 of that year.

4. Delayed Withdrawal. The participant may choose not to withdraw the DROP account until some later date; however, the account must be disbursed within the time period shown in §2713.

AUTHORITYNOTE: Promulgated in accordance with R.S. 11:515.

HISTORICALNOTE: Promulgated by the Department of Treasury, Board of Trustees of the State Employees' Retirement System, LR 22:373 (May 1996), amended LR 25:2465 (December 1999).

§2713. Time for Disbursement

A. The DROP account must be totally disbursed within the expected lifetime of the participant in accordance with federal laws. The expected lifetime is determined based on the age of the participant on the date of termination. All funds from the DROP account must be withdrawn in accordance with the Internal Revenue Services Guidelines.

B. Disbursements from the DROP accounts shall be made on the first day of each month; if the first is a weekend or holiday, the disbursement shall be made on the following workday.

C. When a retiree reaches age 72, mandatory annual distributions shall begin in accordance with IRS regulations. The amount of the distributions will be recalculated annually. The mandatory distribution is based on the retiree's age and DROP account balance using the table above.

D. Requested withdrawals from DROP accounts which would leave a balance in that account of \$500 or less shall be processed as a request for disbursement of the entire balance. All such withdrawal requests shall result in the closing of the account. LASERS may, at its option, conduct audits to identify DROP accounts with a balance of \$500 or less and may disburse the entire amount to the person in whose name the account exists or to their beneficiary after giving notice of at least 30 days prior to disbursement.

AUTHORITYNOTE: Promulgated in accordance with R.S. 11:515.

HISTORICALNOTE: Promulgated by the Department of Treasury, Board of Trustees of the State Employees' Retirement System, LR 22:373 (May 1996), amended LR 25:2466 (December 1999), LR 29:1121 (July 2003), LR 30:2079 (September 2004), LR 32:1070 (June 2006), LR 35:2476 (November 2009), LR 46:1695 (December 2020).

§2715. Interest

A. Interest shall not be credited to a participant's subaccount during the period of participation and shall be based on the balance of the account at the end of each month. All amounts which remain credited to the individual's subaccount after termination of participation in the plan, which is not transferred to a self-directed subaccount under R.S. 11:451.1, shall be credited with interest at the end of each plan year at a rate equal to the realized return on the system's portfolio for that plan year as certified by the system actuary in his actuarial report, less 1/2 of 1 percent.

B. Plan year shall mean fiscal year. The actual posting of interest shall not be performed until the system actuary's report is approved by the Public Retirement Systems Actuarial Committee.

C. Interest shall not be paid on funds transferring to the Self-Directed Plan. DROP participants who are vested under LAC 58:I.4103 who choose to transfer their funds to the SDP shall not be paid DROP interest under this Section beginning on the date LASERS receives the participant's request for transfer. DROP participants who were not vested under LAC 58:I.4103 shall not be paid DROP interest under this Section.

AUTHORITYNOTE: Promulgated in accordance with R.S. 11:515.

HISTORICALNOTE: Promulgated by the Department of Treasury, Board of Trustees of the State Employees' Retirement System, LR 22:373 (May 1996), amended LR 31:946 (April 2005), LR 32:1070 (June 2006), LR 35:2476 (November 2009).

§2717. Changes in Withdrawal

A. The type of withdrawal or the amount may be changed upon written notice. Requests for change received in the office of LASERS by the fifteenth of one month shall be effective the following month.

B. The participant must indicate whether federal income taxes should be withheld from the amount disbursed. The tax instructions must be provided by the participant before a disbursement can be made.

C. The forms for selecting the method of disbursement and the tax instructions shall be provided to the participant at the time of termination, or upon request.

AUTHORITYNOTE: Promulgated in accordance with R.S. 11:515.

HISTORICALNOTE: Promulgated by the Department of Treasury, Board of Trustees of the State Employees' Retirement System, LR 22:373 (May 1996).

Subchapter D. "New" DROP

Editor's Note: To the extent that the above provisions are not impacted by the following Sections, they shall apply to the new DROP. Any of the above provisions which conflict with the following provisions under the new DROP, the following provisions shall control.

§2719. Eligibility

A. Members who become eligible for retirement on or after January 1, 1996 will only be eligible for the new DROP. Members who were eligible for retirement on or prior to December 31, 1995 will have the option of joining either DROP, unless they have been eligible for regular retirement in excess of three years and 60 days.

AUTHORITYNOTE: Promulgated in accordance with R.S. 11:515.

HISTORICALNOTE: Promulgated by the Department of Treasury, Board of Trustees of the State Employees' Retirement System, LR 22:373 (May 1996).

§2721. Participation in New DROP

A. A member will be eligible for DROP as soon as he is eligible for retirement.