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**IMPORTANT MEMO**  
**FIREFIGHTERS' RETIREMENT SYSTEM INVESTMENT ELECTION**

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**TO:** DROP PARTICIPANTS  
**FROM:** CAITLIN MYERS, BENEFITS MANAGER

**TIME SENSITIVE INFORMATION**

**PLEASE REVIEW THE INFORMATION BELOW REGARDING 2018 LEGISLATIVE CHANGES**

A new law was enacted in the 2019 regular legislative session regarding the Deferred Retirement Option (DROP) Plan and, more specifically, to provide for the accounts into which DROP funds may be placed.

Under existing law, a DROP plan participant can make a one-time, irrevocable written election to waive his rights as set forth in the Louisiana Constitution regarding the interest earned by his DROP account. If that election is made, then upon termination of employment, his DROP account balance will earn interest at a rate equal to the same rate earned by the system's portfolio, less certain administrative costs. This is known as a "portfolio account". As a precondition of making such election, the DROP participant must expressly acknowledge that his DROP account balance will be permanently reduced if the system's investment portfolio experiences a negative earnings rate.

Under the new law, when a DROP participant ends his participation in the DROP plan, he can allocate his account balance into a portfolio account or a money market account, or both. The allocation is a one-time, irrevocable election. If the person fails to choose an allocation within the period set by the board of trustees, then his entire DROP balance is automatically and irrevocably allocated into the money market account.

After termination of employment, the plan participant may receive a true annuity based upon the balance of his account.

You are strongly encouraged to consult with a financial advisor prior to making an investment selection or selecting a true annuity.

# Firefighters' Retirement System (FRS)

## DROP/IBO Participant Investment Election

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One of the following options as well as supporting paperwork must be selected and completed regarding how you want FRS to invest your DROP/IBO money.

Election to Earn Money Market Rates on DROP/IBO Account

Election to Earn Portfolio Rates on DROP/IBO Account

Allocation of DROP/IBO Account into Both Money Market and Portfolio Accounts

Estimate Request to Convert DROP Balance to a True Annuity

A selection must be made within **90 days** of DROP/IBO ending date.

§2257. Deferred Retirement Option Plan

A. In lieu of terminating employment and accepting a service retirement allowance under R.S. 11:2256, any member of this system who has not less than twenty years of creditable service and who is eligible to receive a service retirement allowance may elect to participate in the deferred retirement option plan and defer the receipt of benefits in accordance with the provisions of this Section.

B. For purposes of this Section, creditable service shall include service credit reciprocally recognized under R.S. 11:142, but for eligibility purposes only.

C. The duration of participation in the plan shall be specified and shall not exceed three years.

D. A member may participate in the plan only once.

E. Upon the effective date of the commencement of participation in the plan, membership in the system shall terminate and neither employee nor employer contributions shall be payable. For purposes of this Section, compensation and creditable service shall remain as they existed on the effective date of commencement of participation in the plan. The monthly retirement benefits that would have been payable, had the member elected to cease employment and receive a service retirement allowance, shall be paid into the Deferred Retirement Option Plan account. Upon termination of employment, deferred benefits shall be payable as provided by Subsection H of this Section.

F. A person who participates in this plan shall not be eligible to receive a cost-of-living increase from the retirement system while participating and shall not be eligible until his employment which makes him eligible to be a member of this system has been terminated for at least one full year.

G.(1) For a member who was eligible to participate in the Deferred Retirement Option Plan before January 1, 2004, after a plan participant has terminated the employment which made him eligible to be a member of this system and prior to accepting funds as provided by Subsection H of this Section, his individual account balance in the plan shall earn interest at a rate equal to the percentage rate of return of the system's investment portfolio, less the cost of merger notes, as certified by the actuary in his annual valuation report, less the cost of administering the Deferred Retirement Option Plan to be determined annually by the board of trustees. This interest shall be credited to the retiree's individual account balance on an annual basis. However, if such an individual returns to employment which makes him eligible to be a member of this system, his individual account balance in the plan shall not earn interest while he remains so employed.

(2) For a member who becomes eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts that remain credited to the plan participant's subaccount after termination of participation in the plan and prior to accepting funds as provided by Subsection H of this Section shall be administered as follows:

(a) Unless the plan participant makes the election provided for in Subparagraph (b) of this Paragraph, the board of trustees shall place the credited amounts in liquid asset money market investments chosen at the discretion of the board of trustees. Such account balances shall be credited with interest at the actual rate of return earned on such account balance investments less one-fourth of one percent per annum.

(b)(i) Prior to the end of the specified participation period, the plan participant may make an irrevocable written election to waive his rights as set forth in Article X, Section 29 of the Constitution of Louisiana as it relates to the interest earned by his Deferred Retirement Option

Plan account. After he has terminated the employment which made him eligible to be a member of this system, his individual account balance in the plan shall earn interest at a rate equal to the percentage rate of return of the system's investment portfolio, less the cost of merger notes as certified by the actuary in his yearly valuation report, less the cost of administering the Deferred Retirement Option Plan to be determined annually by the board of trustees. However, as a precondition of making such an election, the plan participant shall expressly acknowledge that his account shall be debited and the value of his account balance may be permanently reduced if the system's investment portfolio experiences a negative earnings rate.

(ii) The provisions of this Subparagraph shall apply prospectively only, beginning effective July 1, 2006. Waivers executed during the 2006 calendar year shall be applicable to interest that is posted effective on or after January 1, 2007.

(iii) Should any participant's waiver executed pursuant to the provisions of Item (i) of this Subparagraph be declared null, void, inapplicable, or unenforceable, the participant's individual account shall be treated as though he had not executed such waiver, and the balance therein shall be adjusted to reflect such treatment.

(3)(a) A member who becomes eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2019, upon termination of participation in the plan, may allocate the balance of his individual account into either or both of the subaccounts provided for in Subparagraph (2)(a) or (b) of this Subsection. Prior to allocating funds to the subaccount provided for in Subparagraph (2)(b) of this Subsection, the member shall comply with the requirements of that Subparagraph.

(b) Such allocation shall be a one-time, irrevocable event. If the participant fails to choose an allocation within the period prescribed by the board of trustees, the entire balance of his account shall be irrevocably allocated into the subaccount provided for in Subparagraph (2)(a) of this Subsection.

H. After termination of employment, the plan participant shall receive, at his option, a lump sum payment from his account or accounts equal to the payments to the account or accounts, or a true annuity based upon the balance of his account or accounts, or he may elect any other method of payment if approved by the board of trustees. The monthly benefits that were being paid into the fund during the period of participation shall begin being paid to the retiree. Payment from any account shall not be made until employment is terminated. The plan participant may not change the optional allowance selected for his original benefit pursuant to R.S. 11:2259.

I. If a participant dies during the period of participation in the plan, a lump sum payment equal to his account balance shall be paid to his named beneficiary or, if none, to his estate and normal survivor's benefits shall be payable as provided in this Chapter.

J. At the end of the specified participation period, payments into the Deferred Retirement Option Plan account shall cease.

K.(1) If employment is not terminated at the end of the period specified for participation, the plan participant shall resume active contributing membership in the system, and upon termination of employment, he shall receive an additional retirement benefit based on his additional service rendered since termination of participation in the fund, using the normal method of computation of benefit, subject to the following:

(a) If his period of additional service is less than thirty-six months, the average compensation figure used to calculate the additional benefit shall be that used to calculate his original benefit.

(b) If his period of additional service is thirty-six 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.

(c) The optional allowance applied to the additional retirement benefit shall be the same optional allowance selected in accordance with R.S. 11:2259 for the original benefit.

(d) In no event shall the additional benefit exceed an amount which, when combined with the original benefit, equals one hundred percent of the average compensation figure used to compute the additional benefit.

(2) If the plan participant dies or acquires a disability during the period of additional service, he shall be considered as having retired on the date of death or commencement of disability.

Acts 1984, No. 450, §1; Acts 1985, No. 153, §1; Acts 1985, No. 458, §1; Redesignated from R.S. 33:2155.1 by Acts 1991, No. 74, §3, eff. June 25, 1991; Amended by Acts 1991, No. 57, §1, eff. June 25, 1991; Acts 1992, No. 496, §1, eff. July 1, 1992; Acts 2001, No. 1028, §1; Acts 2003, No. 962, §§1, 2, eff. Jan. 1, 2004; Acts 2004, No. 532, §1, eff. June 25, 2004; Acts 2006, No. 566, §1, eff. June 23, 2006; Acts 2014, No. 811, §4, eff. June 23, 2014; Acts 2018, No. 114, §1, eff. July 1, 2018.

NOTE: See Acts 2004, No. 532, §2, relative to persons electing to have retirement benefits deposited in his DROP account before effective date of the Act.

**FIREFIGHTERS' RETIREMENT SYSTEM  
MONEY MARKET ACCOUNT  
DROP/IBO INTEREST HISTORY**

**DROP/IBO INTEREST FOR MONEY MARKET ACCOUNTS IS POSTED ON A MONTHLY BASIS.**

**Example: DROP/IBO INTEREST FOR THE MONTH OF JANUARY 2020 IS POSTED IN THE MONTH OF MARCH 2020**

Jan-20	0.001263165
Feb-20	0.001120000
Mar-20	0.000711476
Apr-20	0.000267193
May-20	0.000090483
Jun-20	0.000050658
Jul-20	0.000039184
Aug-20	0.000022771
Sep-20	0.000025085
Oct-20	0.000013117
Nov-20	0.000008519
Dec-20	-
Jan-21	-
Feb-21	-
Mar-21	-
Apr-21	-
May-21	-
Jun-21	-
Jul-21	-
Aug-21	-
Sep-21	-
Oct-21	-
Nov-21	-
Dec-21	-
Jan-22	-
Feb-22	-
Mar-22	0.000029514
Apr-22	0.000129551
May-22	0.000447068
Jun-22	0.000706757
Jul-22	0.001105259
Aug-22	0.001765696

2020 Average:	.000300971
2021 Average:	.000000000
2022 Average:	.000522981



# FIREFIGHTERS RETIREMENT SYSTEM

P.O. Box 94095, Capitol Station  
Baton Rouge, Louisiana 70804-9095  
Telephone (225) 925-4060 • Fax (225) 925-4062



## ELECTION TO EARN MONEY MARKET RATES ON DROP/IBO ACCOUNT

I, (print name) \_\_\_\_\_, acknowledge that I have certain rights regarding the interest earned by my Deferred Retirement Option Plan (DROP) account or my Initial Benefit Option (IBO) account which are set forth in Article X, Section 29 of the Louisiana Constitution. \_\_\_\_\_ (member's initials after each paragraph)

I acknowledge my right to have my DROP/IBO account earn interest at the money market rate and the financial safety related to earning at that rate. I understand that, by electing the money market rate, the earnings on my DROP/IBO account will most frequently be positive and will very rarely, if ever, equal zero or less. \_\_\_\_\_

I hereby irrevocably elect to maintain my DROP/IBO balance in an account where it earns interest at the money market rate. I understand that the word "irrevocable" means I cannot ever change my mind after I sign this election. \_\_\_\_\_

I understand that, by signing this form, I am declining the opportunity to have my DROP/IBO account balance earn the same interest rate as that earned by the system's investment portfolio. I fully understand that my account will not be exposed to the full range of market risks but, as a trade-off, the earnings posted to my account will probably always be significantly less than the rate earned by the system's investment portfolio. I do hereby knowingly accept that trade-off. \_\_\_\_\_

I acknowledge that I can call the FRS office and ask any question or seek any information I need before signing this election form and, if I do not call the retirement office, then my initials and signature show that I fully understand this election. \_\_\_\_\_

Signed in \_\_\_\_\_, Louisiana, \_\_\_\_\_, 20\_\_\_\_  
(City) (Month, Day)

Two Required Witnesses:

\_\_\_\_\_  
(First Witness Signature)

\_\_\_\_\_  
(Member's Signature)

\_\_\_\_\_  
(Second Witness Signature)

**FIREFIGHTERS' RETIREMENT SYSTEM  
PORTFOLIO ACCOUNT  
DROP/IBO INTEREST HISTORY**

**DROP INTEREST IS BASED ON A FISCAL YEAR**

**Example: DROP INTEREST FOR 1992 IS BASED ON THE FISCAL YEAR OF JULY 1991 – JUNE 1992:**

**(Interest is paid once a year on January 1<sup>st</sup> based upon the Fiscal Year rate of return as of June 30<sup>th</sup>)**

**Policy change (7/2008) Interest is posted once a year in December for the previous fiscal year (ending 6/30)**

1992	10.50
1993	12.50
1994	4.10
1995	9.60
1996	12.00
1997	13.90
1998	11.50
1999	6.90
2000	3.50
2001	(2.90)
2002	(3.70)
2003	5.40
2004	11.00
2005	10.40
2006	12.30
2007	17.20
2008	(5.00)
2009	(20.80)
2010	12.20
2011	17.40
2012	(4.10)
2013	10.50
2014	11.40
2015	(0.20)
2016	(2.30)
2017	13.60
2018	6.50
2019	4.40
2020	3.10
2021	26.10

5 Year Average:	11.2%
10 Year Average:	6.9%
Total Average:	6.9%





# FIREFIGHTERS RETIREMENT SYSTEM

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Baton Rouge, Louisiana 70804-9095  
Telephone (225) 925-4060 • Fax (225) 925-4062



## ELECTION TO EARN PORTFOLIO RATES ON DROP/IBO ACCOUNT

I, (print name) \_\_\_\_\_, acknowledge that I have certain rights regarding the interest earned by my Deferred Retirement Option Plan (DROP) account or my Initial Benefit Option (IBO) account which are set forth in Article X, Section 29 of the Louisiana Constitution.

\_\_\_\_\_ (member's initials after each paragraph)

I acknowledge my right to have my DROP/IBO account earn interest at the money market rate and the financial safety related to earning at that rate. I understand that the earnings on my DROP/IBO account will most frequently be positive and will very rarely, if ever, equal zero or less if I chose to continue earning at the money market rate, instead of signing this waiver. \_\_\_\_\_

I irrevocably waive my constitutional rights regarding the interest earned by my DROP/IBO account. I understand that the word "irrevocable" means I cannot ever change my mind after I sign this waiver. \_\_\_\_\_

I understand that, by signing this waiver, my DROP/IBO account balance will not have the safety of earning at the money market rate. My DROP/IBO account balance will instead earn interest at a rate equal to the percentage rate of return of the system's investment portfolio, less the cost of merger notes as certified by the actuary in his yearly valuation report, less the cost of administering the DROP/IBO plan as determined annually by the board of trustees. I fully understand the risks involved in choosing this option and do hereby knowingly assume the risk. \_\_\_\_\_

I understand that, by signing this waiver, the amount of money in my DROP/IBO account will be permanently reduced if the system's investment portfolio experiences a negative earnings rate. I do hereby give my permanent, ongoing consent to having money taken from my DROP/IBO account balance if the system's investment portfolio experiences a negative earnings rate. \_\_\_\_\_

I acknowledge and understand that if this waiver is declared null, void, inapplicable, or otherwise unenforceable by any court of law, then my DROP/IBO account will be treated as though I had not executed a waiver, and my DROP/IBO balance will be adjusted to reflect such treatment. \_\_\_\_\_

I acknowledge that I can call the FRS office and ask any question or seek any information I need before signing this waiver and, if I do not call the retirement office, then my initials and signature show that I fully understand this waiver. \_\_\_\_\_

Signed in \_\_\_\_\_, Louisiana, \_\_\_\_\_, 20\_\_\_\_.  
(City) (Month, Day)

Two Required Witnesses:

\_\_\_\_\_  
(First Witness Signature)

\_\_\_\_\_  
(Member's Signature)

\_\_\_\_\_  
(Second Witness Signature)

# Allocation/ Annuity Form

To allocate a portion of your DROP balance into the money market account or the portfolio account or both please return this form to the retirement office.

RETIREE'S NAME: \_\_\_\_\_ SOCIAL SECURITY NUMBER: \_\_\_\_\_

MONEY MARKET: \$ \_\_\_\_\_ OR \_\_\_\_\_ %

PORTFOLIO: \$ \_\_\_\_\_ OR \_\_\_\_\_ %

If allocating monies complete both the Election to Earn Money Market Rates on DROP/IBO Account form and Election to Earn Portfolio Rates on DROP/IBO Account form.

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Any DROP participant who currently has a balance credited to his DROP account may, after termination of participation in the DROP plan, make a one-time, irrevocable election to convert the balance of his DROP account to a true annuity.

## WHAT DOES CONVERTING MY DROP BALANCE TO A TRUE ANNUITY MEAN?

Your DROP balance would be converted to a monthly lifetime benefit. The amount of the monthly lifetime benefit will be calculated by the FRS actuary based upon your account balance, age, and beneficiary's age if an option is selected.

- If the annuity election is made, then your DROP balance goes away and you can never convert back to a DROP balance
- An annuity provides a guaranteed monthly income in the same amount for the rest of your life no matter how long you may live
- You may select an option continuing the monthly lifetime annuity to your beneficiary upon your death
- Upon your death and the death of your beneficiary, if any, all monthly lifetime benefits cease
- Only one beneficiary may be named
- No lump sum payments are available upon your death
- Upon converting to a monthly lifetime annuity you no longer have access to DROP sum withdrawals

To request an ESTIMATE to convert your DROP balance to a true annuity please return this form to the retirement office.

RETIREE'S NAME: \_\_\_\_\_ SOCIAL SECURITY NUMBER: \_\_\_\_\_

BENEFICIARY DATE OF BIRTH: \_\_\_\_\_ (IF ANY)

RELATIONSHIP OF BENEFICIARY: \_\_\_\_\_

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