

Regular Session, 2014

HOUSE BILL NO. 1278 (Substitute for House Bill No. 79 by Representative Pearson)

BY REPRESENTATIVE PEARSON

RETIREMENT/STATE EMPS: Provides for enrollment of new hires of the Harbor Police Department of the Port of New Orleans in the Hazardous Duty Services Plan in the La. State Employees' Retirement System and for merger of the existing Harbor Police Retirement System into the La. State Employees' Retirement System

1 AN ACT

2 To amend and reenact R.S. 11:102(C)(1)(l) and (4)(b), 612(introductory paragraph), 613(A),

3 615(B), 3681, 3682(1), (2), (4)(a), (7), (16), (18) through (20), and (26),

4 3683(introductory paragraph), (1), and (3)(b), 3684(A), (D), and (F), 3685(A)(1)(a)

5 and (2)(introductory paragraph) and (d), (B)(1), (3) through (6), and (8), (C)(1), (2),

6 and (13), and (E), 3685.2(B)(introductory paragraph), (6) and (7), 3686(B)(1),

7 (D)(3), and (E), 3688(D), 3688.1, 3690(A) and (B), 3690.2, 3692(A), and

8 3695(C)(introductory paragraph), to enact R.S. 11:102(C)(1)(m), 612(2.1), 620.1,

9 Subpart E of Part VII of Chapter 1 of Subtitle II of Title 11 of the Louisiana Revised

10 Statutes of 1950, comprised of R.S. 11:631, and 3682(20.1), and to repeal R.S.

11 11:3682(29), 3685(D), 3688(A) through (C) and (E), 3689(B) through (E), 3690 (C)

12 and (D), 3690.1, 3691, 3693, and 3698, relative to retirement for employees of the

13 Harbor Police Department of the Port of New Orleans; to provide relative to the

14 merger of the Harbor Police Retirement System into the Louisiana State Employees'

15 Retirement System; to provide for enrollment of new hires of the Harbor Police

16 Department in the Hazardous Duty Services Plan in the Louisiana State Employees'

17 Retirement System; to provide relative to a cooperative endeavor agreement with

18 respect to the merger of the systems; to provide relative to the assets of the Harbor

19 Police Retirement System; to provide relative to benefits for members of the Harbor

1 Police Retirement System; to provide relative to retirement benefits for new hires of  
2 the Harbor Police Department of the Port of New Orleans; to provide relative to the  
3 boards of trustees of the Louisiana State Employees' Retirement System and the  
4 Harbor Police Retirement System; to provide an effective date; and to provide for  
5 related matters.

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

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 11:612(introductory paragraph), 613(A), 615(B), 3682(16) and  
11 3683(1) are hereby amended and reenacted and R.S. 11:612(2.1) is hereby enacted to read  
12 as follows:

13 §612. Application; definitions

14 Terms not specifically defined in this Section but defined in R.S. 11:403 shall  
15 have the meanings provided in R.S. 11:403 unless a different meaning is clearly  
16 required by the context. For purposes of this Subpart:

17 \* \* \*

18 (2.1) In addition to the definition provided in Paragraph (2) of this Section,  
19 the term "member" shall include any commissioned employee of the Harbor Police  
20 Department of the Port of New Orleans first hired on or after July 1, 2014.

21 \* \* \*

22 §613. Eligibility for plan membership

23 A. Each person who becomes an employee in state service in one of the  
24 positions defined in R.S. 11:612(2) or (2.1) shall become a member of the Hazardous  
25 Duty Services Plan of the system as a condition of employment.

26 \* \* \*

27 §615. Retirement benefit calculation

28 \* \* \*

1 B. If the member's last ten years of creditable service were not accrued  
 2 exclusively in one of the hazardous duty positions defined in R.S. 11:612(2) or (2.1),  
 3 he shall receive a retirement benefit equal to two and one-half percent of his average  
 4 compensation for the actual number of years of creditable service earned in a  
 5 hazardous duty position.

6 \* \* \*

7 §3682. Definitions

8 The following words and phrases, as used in this Subpart, unless expressly  
 9 indicated to the contrary or unless a different meaning is plainly required by context,  
 10 shall have the following meanings:

11 \* \* \*

12 (16) "Employee" means any commissioned member or employee of the  
 13 Harbor Police Department of the Port of New Orleans prior to July 1, 2004, or any  
 14 commissioned member of the Harbor Police Department of the Port of New Orleans  
 15 on or after July 1, 2004 and hired on or before June 30, 2014.

16 \* \* \*

17 §3683. Membership

18 The membership of the retirement system shall be composed as follows:

19 (1) All persons who shall become employees as defined in R.S. 11:3682(16)  
 20 after August 1, 1971, and on or before June 30, 2014, except those specifically  
 21 excluded under Paragraph (3) of this Section, shall become members as a condition  
 22 of their employment, provided they are under fifty years of age at the date of  
 23 employment.

24 \* \* \*

25 Section 2. R.S. 11:102(C)(1)(l) and (4)(b), 3681, 3682(1), (2), (4)(a), (7), (18)  
 26 through (20), and (26), 3683(introductory paragraph) and (3)(b), 3684(A), (D), and (F),  
 27 3685(A)(1)(a) and (2)(introductory paragraph) and (d),(B)(1), (3) through (6), and (8),  
 28 (C)(1), (2), and (13), and (E), 3685.2(B)(introductory paragraph), (6) and (7), 3686(B)(1),  
 29 (D)(3), and (E), 3688(D), 3688.1, 3690(A) and (B), 3690.2, 3692(A), and

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1 3695(C)(introductory paragraph) are hereby amended and reenacted and R.S.  
2 11:102(C)(1)(m), 620.1, Subpart E of Part VII of Chapter 1 of Subtitle II of Title 11 of the  
3 Louisiana Revised Statutes of 1950, comprised of R.S. 11:631, and 3682(20.1) are hereby  
4 enacted to read as follows:

5 §102. Employer contributions; determination; state systems

6 \* \* \*

7 C.(1) This Subsection shall be applicable to the Louisiana State Employees'  
8 Retirement System effective for the June 30, 2010, system valuation and beginning  
9 Fiscal Year 2011-2012. For purposes of this Subsection, "plan" or "plans" shall  
10 mean a subgroup within the system characterized by the following employee  
11 classifications:

12 \* \* \*

13 (l) Harbor Police Retirement Plan members as provided pursuant to R.S.  
14 11:631.

15 (m) Any other specialty retirement plan provided for a subgroup of system  
16 members. If the legislation enacting such a plan is silent as to the application of this  
17 Subsection, the Public Retirement Systems' Actuarial Committee shall provide for  
18 the application to such plan.

19 \* \* \*

20 (4) For each plan referenced in Paragraph (1) of this Subsection, the  
21 legislature shall set the required employer contribution rate equal to the sum of the  
22 following:

23 \* \* \*

24 (b) The shared unfunded accrued liability rate. (i) Except as provided in  
25 Item (ii) of this Subparagraph, a ~~A~~ single rate shall be computed for each fiscal year,  
26 applicable to all plans for actuarial changes, gains, and losses existing on June 30,  
27 2010, or occurring thereafter, including experience and investment gains and losses,  
28 which are independent of the existence of the plans listed in Paragraph (1) of this

1 Subsection, the payment and rate therefor shall be calculated as provided in  
2 Paragraphs (B)(1) and (3) of this Section.

3 (ii) The shared unfunded accrued liability rate applicable to the Harbor  
4 Police Retirement System shall not include any unfunded accrued liability incurred  
5 on or before July 1, 2015, until the earlier of:

6 (aa) July 1, 2022.

7 (bb) The date that all sums payable by the Port of New Orleans to the board  
8 of trustees of the Louisiana State Employees' Retirement System pursuant to the  
9 terms and conditions of a cooperative endeavor agreement between the board of  
10 trustees of the Louisiana State Employees' Retirement System, the board of  
11 commissioners of the Port of New Orleans, and the board of trustees of the Harbor  
12 Police Retirement System regarding the merger of the Harbor Police Retirement  
13 System into the Louisiana State Employees' Retirement System have been paid in  
14 full.

15 \* \* \*

16 §620.1. Transfer of other service credit; Harbor Police Retirement Plan employees

17 A. Any member of the Harbor Police Retirement Plan who would otherwise  
18 be eligible for benefits under this plan except that his first employment making him  
19 eligible for membership in the Harbor Police Retirement Plan occurred on or before  
20 June 30, 2014, and who has not participated in the Deferred Retirement Option Plan  
21 in the Harbor Police Retirement Plan shall have the right to irrevocably elect to  
22 become a member of this plan by submitting an application to the board of trustees  
23 to become effective on or after July 1, 2015.

24 B. Any eligible member who elects to transfer to the Hazardous Duty  
25 Services Plan from the Harbor Police Retirement Plan shall have the option of:

26 (1) Maintaining prior service credit in the Harbor Police Retirement Plan  
27 pursuant to the provisions of that plan and accruing service credit and benefits in the  
28 Hazardous Duty Services Plan after the date he joins the plan. If such election

1 results in an actuarial cost to this system, the member shall pay the system the  
2 amount of such actuarial cost prior to his retirement.

3 (2)(a) An internal actuarial transfer from the Harbor Police Retirement Plan  
4 to this plan in accordance with the provisions of R.S. 11:143(C) and (D) in which the  
5 member transfers all of his service credit from the Harbor Police Retirement Plan  
6 and maintains prior service credit at the accrual rate at which it was earned in such  
7 plan prior to joining the Hazardous Duty Services Plan. If the amount of funds  
8 transferred is less than the actuarial cost of the service transferred, the member  
9 transferring, except as otherwise provided in this Section, shall pay the deficit or  
10 difference, including the interest thereon at the board-approved actuarial valuation  
11 rate of the system.

12 (b) In lieu of paying the deficit or difference plus interest, the member may,  
13 at his option but only at the time of transfer, be granted an amount of credit in this  
14 plan which is based on the amount of funds actually transferred plus any additional  
15 funds less than the deficit paid by the member.

16 (c) A member who completes a transfer under the provisions of this  
17 Paragraph shall have his retirement benefit calculated using the accrual rate of the  
18 plan from which he transferred based on the number of years transferred.

19 C. A member whose first employment making him eligible for membership  
20 in the Harbor Police Retirement Plan occurred on or before June 30, 2015, who  
21 elects to join this plan shall thereafter for purposes of all state retirement systems be  
22 treated as an employee whose membership is governed by the provisions of Act No.  
23 992 of the 2010 Regular Session of the Legislature.

24 \* \* \*

25 SUBPART E. HARBOR POLICE RETIREMENT PLAN

26 §631. Administration of the Harbor Police Retirement Plan

27 A. With the exception of payment of permanent benefit increases,  
28 membership and benefits for the Harbor Police Retirement Plan shall be in  
29 accordance with the provisions of Subpart G of Part II of Chapter 3 of Subtitle IV of

Title 11 of the Louisiana Revised Statutes of 1950; however, if provisions of this Chapter cover matters not specifically addressed by the provisions of Subpart G of Part II of Chapter 3 of Subtitle IV of Title 11 of the Louisiana Revised Statutes of 1950, the provisions of this Chapter shall apply to that plan. The provisions of Subpart G of Part II of Chapter 3 of Subtitle IV of Title 11 of the Louisiana Revised Statutes of 1950 are hereby made a part of this system. Eligibility for and payment of permanent benefit increases for members of the plan shall be governed by the laws and rules of this system.

B. Notwithstanding any provision of law to the contrary, upon the merger of the Harbor Police Retirement System with this system, the assets of the Harbor Police Retirement System shall become part of the Louisiana State Employees' Retirement System trust and shall be managed in accordance with the laws governing this system.

\* \* \*

SUBPART G. HARBOR POLICE RETIREMENT ~~SYSTEM PLAN~~ (PORT OF NEW ORLEANS) IN THE LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

§3681. Name and date of establishment

~~A. A retirement system plan is hereby established and placed under the management of the Board of Trustees for the purpose of providing retirement allowances and other benefits under the provisions of this Subpart for Commissioned Members of the Harbor Police Department of the Port of New Orleans hired on or before June 30, 2014. The retirement system so created shall be established as of the first day of August nineteen hundred and seventy-one.~~

~~B. It shall have the power and the privileges of a corporation and shall be known as the "Harbor Police Retirement System" and by such name all of its business shall be transacted, all of its funds invested and all of its cash and securities and other property held.~~

§3682. Definitions

1           The following words and phrases, as used in this Subpart, unless expressly  
2 indicated to the contrary or unless a different meaning is plainly required by context,  
3 shall have the following meanings:

4           (1) "Accumulated contribution" means the sum of all the amounts deducted  
5 from the compensation of a member and credited to his individual account in the  
6 ~~Annuity Savings Fund~~ Employee Savings Account established in R.S. 11:532,  
7 together with regular interest thereon as provided in R.S. 11:3688.

8           (2) "Actuarial equivalent" means a benefit of equivalent value to the  
9 accumulated contributions, annuity, or benefits, as the case may be, computed upon  
10 the basis of such interest and mortality assumptions as are adopted ~~in accordance~~  
11 ~~with the provisions of R.S. 11:3688(D)~~ by the board or provided in law.

12   \*           \*           \*

13           (4)(a) "Average compensation" for the limited purpose of applying Section  
14 415(b) of the Internal Revenue Code, means the average compensation earned by a  
15 member for the period of three consecutive years during which the member was an  
16 active member of the ~~retirement system~~ plan and had the greatest aggregate  
17 compensation from the employer.

18   \*           \*           \*

19           (7) "Board of trustees" or "board" means the board provided for in ~~R.S.~~  
20 ~~11:3688 to administer the retirement system~~ R.S. 11:511.

21   \*           \*           \*

22           (18) "Medical board" means the board of physicians provided for in ~~R.S.~~  
23 ~~11:3688~~ R.S. 11:403.

24           (19) "Member" includes any employees, as defined in Paragraph (16) of this  
25 Section, included in the membership of this ~~system~~ plan as provided in R.S. 11:3683.

26           (20) "Membership service" means service as an employee while a member  
27 of the Harbor Police Retirement System or this system plan.



1            (20.1) "Plan" means the Harbor Police Retirement Plan established in this  
 2            Subpart and administered as a plan within the Louisiana State Employees'  
 3            Retirement System pursuant to R.S. 11:631.

4     \*           \*           \*

5            (26) "Retirement system" or "system" means the ~~Harbor Police Retirement~~  
 6            ~~System as established in R.S. 11:3681~~ Louisiana State Employees' Retirement  
 7            System.

8     \*           \*           \*

9            §3683. Membership

10           The membership of the ~~retirement system~~ plan shall be composed as follows:

11     \*           \*           \*

12            (3)

13     \*           \*           \*

14            (b) Any employee who is employed on July 7, 2003, who has retired from  
 15            service under any retirement system of this state partly or wholly financed by public  
 16            funds, who is receiving retirement benefits therefrom, and who was prohibited from  
 17            becoming a member of this system upon his initial employment solely on this basis  
 18            shall become a member of this ~~system~~ plan from the date of his initial employment  
 19            provided he meets all other eligibility requirements; however, any such employee  
 20            may purchase credit for previous service only in compliance with the provisions of  
 21            R.S. 11:158 relating to actuarial calculation of purchase price.

22     \*           \*           \*

23            §3684. Creditable service

24            A. Immediately after ~~the establishment of the system~~ August 1, 1971, the  
 25            board of trustees shall request all information regarding members from the retirement  
 26            system in which they have previously held membership. Upon verification of the  
 27            statements of service the board shall issue a prior service certificate certifying to  
 28            each member the length of prior service for which credit shall have been allowed on  
 29            the basis of these certified statements of service. So long as membership continues

1 a prior service certificate shall be final and conclusive for retirement purposes as to  
2 such service, provided that any member may, within one year from the date of  
3 issuance or modification of such certificate, request the board of trustees to modify  
4 or correct his prior service certificate.

5 \* \* \*

6 D. Anything in this Subpart to the contrary notwithstanding, any person who  
7 shall have been an employee as defined in R.S. 11:3682(16) any time subsequent to  
8 September 16, 1940, who shall have entered the armed forces of the United States  
9 during time of war or have been inducted into said forces in time of peace  
10 subsequent to said date, shall be entitled to prior service credit for the period that he  
11 served in the armed forces of the United States, not to exceed four years, provided  
12 he is not granted credit for such service in any other retirement system, and provided  
13 he becomes a member of this system on ~~the date of its establishment~~ August 1, 1971.

14 \* \* \*

15 F. Any member who has terminated membership in the ~~system~~ plan for any  
16 reason and has withdrawn his contributions and who later is reemployed and  
17 becomes a member of the system, shall after eighteen months of additional service  
18 and membership, be eligible to obtain credit for his prior service in the system,  
19 provided that he pay back into the system the amount of the contributions which had  
20 been refunded to him plus compound interest from the date of the refund until the  
21 date of repurchase. The compound interest rate to be used in the computation of the  
22 amount the member must pay back into the system shall be the actuarially assumed  
23 interest rate in the most recent actuarial valuation.

24 \* \* \*

25 §3685. Benefits

26 A.(1)(a) Any member of this ~~system~~ plan who has completed at least twenty  
27 years of creditable service and attained the age of forty-five years, or any member  
28 who has completed at least twenty-five years of creditable service regardless of age,  
29 or any member who has completed at least ten years of service and attained the age

1 of sixty years, or any member who has completed at least twelve years of creditable  
2 service and has attained the age of fifty-five years, shall be entitled to retire from  
3 service and upon such retirement shall be paid a retirement allowance equal to three  
4 and one-third percent of his average final compensation multiplied by his years of  
5 creditable service, not to exceed one hundred percent of his final salary.

6 \* \* \*

7 (2) Benefits shall be payable to survivors of a deceased member, ~~with who~~  
8 had at least five years of creditable service; and who dies before retirement as  
9 specified in the following:

10 \* \* \*

11 (d)(i) If a member dies leaving no surviving spouse or children, his mother  
12 and/or his father who were dependent upon him as their sole means of support shall  
13 be paid monthly benefits equal to forty percent of the average final compensation of  
14 the member prior to his death.

15 (ii) If a deceased member leaves a surviving child who has a total physical  
16 disability or mental disability, the child, regardless of age, shall be entitled to the  
17 benefits for children under eighteen years of age pursuant to Subparagraph (c) or (e)  
18 of this Paragraph if the child had a total physical disability or mental disability at the  
19 time of the death of the member, and the child is dependent upon his legal guardian  
20 for subsistence. The legal guardian shall provide adequate proof of physical or  
21 mental disability of such a surviving child and shall notify the board of any  
22 subsequent changes in the child's condition that cause the child to no longer be  
23 dependent upon the legal guardian and of any changes in the assistance being  
24 received from other state agencies. The board may require a certified statement of  
25 the child's eligibility status at the end of each calendar year.

26 \* \* \*

27 B. The provisions of this Subsection shall apply to those persons enrolled in  
28 the deferred retirement option plan prior to July 1, 1995.

1 (1) In lieu of terminating employment and accepting a service retirement  
2 under this Subpart, any member of this ~~system plan~~ who has not less than twenty  
3 years of creditable service and who is eligible to receive a service retirement  
4 allowance may elect to participate in a deferred retirement option plan as provided  
5 for below and defer the receipt of benefits in accordance with the provisions of this  
6 Section.

7 \* \* \*

8 (3) The duration of participation in the deferred retirement option plan shall  
9 be specified and shall not exceed five years.

10 (4) A member may participate in the deferred retirement option plan only  
11 once.

12 (5) Upon the effective date of the commencement of participation in the  
13 deferred retirement option plan, active membership in the system shall terminate.  
14 Employer contributions shall continue to be payable by the employer during the  
15 member's participation in ~~the~~ such plan, but payment of employee contributions shall  
16 cease upon the effective date of the member's commencement of participation in ~~the~~  
17 such plan. For purposes of this Section, compensation and creditable service shall  
18 remain as they existed on the effective date of commencement of participation in the  
19 deferred retirement option plan. The monthly retirement benefits that would have  
20 been payable, had the member elected to cease employment and receive a service  
21 retirement allowance, shall be paid into the deferred retirement option plan account.  
22 Upon termination of employment, deferred benefits shall be payable as provided by  
23 Paragraph (B)(8).

24 (6) The deferred retirement option plan account shall earn interest not to  
25 exceed two percent less than the realized rate of investment return earned by the fund  
26 for that year. ~~A~~ Prior to July 1, 2015, a person who participates in this program shall  
27 have credited to his DROP account the same annual cost of living increase that he  
28 would have received had the member been a retiree in the system as provided in  
29 Subsection C of this Section.

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(8) Upon termination of employment at the end of the specified period of participation, a participant in the program shall receive, at his option, a lump sum payment from the account equal to the payment to the account; or a true annuity based upon his account; or he may elect any other method of payment if approved by the board of trustees. In the event a member elects to receive a true annuity, or any other method of payment approved by the board of trustees, funds will be transferred from the DROP account into the ~~Annuity Reserve Account~~ Retiree's Annuity Reserve account to provide for the annuity payments.

\* \* \*

C. The provisions of this Subsection shall apply to those persons enrolled in the Deferred Retirement Option Plan on or after July 1, 1995.

(1) As governed by the provisions of this Subsection, there exists as a part of this ~~retirement system~~ plan, an optional account known as the Deferred Retirement Option Plan, which may be cited as the "DROP".

(2) The provisions of this Subsection are applicable with respect to those otherwise eligible members of the retirement ~~system~~ plan whose election to participate in ~~the~~ this DROP occurs on or after July 1, 1995.

\* \* \*

(13) The Deferred Retirement Option Plan Account shall not earn interest during the period of participation. However, the board of trustees shall annually set a percentage rate, and its manner of compounding, to represent the interest rate that would be earned thereby if same did earn interest. If the member ceases employment at the end of the specified period of participation as contractually agreed, or dies during or at the end of the specified period of participation ~~as contractually agreed~~, a sum equal to the amount the individual account would have earned, if the representative interest rate, as compounded, had been applicable to such account, shall be added to this account. Thereafter, the account, if maintained as otherwise authorized by this Subsection, shall earn interest at a rate compounded, as set

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1           annually by the board of trustees. Such actual rate of interest and manner of  
 2           compounding shall be equal to the representative rate and compounding in effect for  
 3           the same period of time. If the member does not abide by the terms of the contract  
 4           and cease employment at the end of the period of participation as contractually  
 5           agreed, payments into the Deferred Retirement Option Plan Account shall  
 6           immediately cease and the member shall immediately be paid a lump sum payment  
 7           from the member's individual account balance in the Deferred Retirement Option  
 8           Plan Account equal to its balance, without the addition of any sum representing  
 9           interest, and such member's account shall be terminated. Such member shall not be  
 10          considered as retired, but shall remain as a member of the retirement system, in an  
 11          inactive status. Only upon actual cessation of employment shall the member be  
 12          considered as a retiree and entitled to the receipt of retirement benefits. This account  
 13          shall not be subject to any fees or charges of any kind for any purpose, except as  
 14          otherwise provided herein.

\* \* \*

16           E. The benefits provided in this Section shall not be retroactive to any  
 17          period. Further adjustments in benefits may be made each ~~January~~ July first after at  
 18          least a full year has elapsed after benefits began, subject to the limitations contained  
 19          herein.

\* \* \*

21          §3685.2. Computation of retirement benefits

\* \* \*

23           B. The annual retirement benefit of any member of the ~~retirement system~~  
 24          plan who is not a qualified participant, as defined by Paragraph ~~(2)~~ of ~~Subsection A~~  
 25          (A)(2) of this Section, and which is not attributable to the member's after-tax  
 26          employee contribution, cannot exceed the lesser of ninety thousand dollars or one  
 27          hundred percent of such member's average compensation. For purposes of  
 28          determining whether a member's benefit exceeds those limitations, the following  
 29          shall apply:

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(6) Adjustment for less than ten years of participation or service.

(a) If retirement ~~system~~ benefits are payable under this ~~retirement system~~ plan to a member who has less than ten years of participation in the ~~retirement system plan~~, the dollar limitation referred to in the Introductory Paragraph of this Subsection shall be multiplied by a fraction, the numerator of which is the member's number of years of participation in the ~~system plan~~, not greater than ten, and the denominator of which is ten.

(b) If retirement benefits are payable under this ~~retirement system plan~~ to a member who has less than ten years of service with the employer, the percentage limitation referred to in the Introductory Paragraph of this Subsection and the dollar limitation referred to in Paragraph (9) of this Subsection shall be multiplied by a fraction, the numerator of which is the member's number of years of service with the employer, not greater than ten, and the denominator of which is ten.

(7) Annual adjustment. The ninety thousand dollar limitation provided in this Subsection shall be adjusted annually to the maximum dollar limits allowable by the secretary of the Treasury of the United States under Section 415(d) of the Internal Revenue Code, such adjustments to take effect on the first day of each fiscal year following December 31, 1987. The adjustment shall not exceed the adjustment in effect for the calendar year in which the fiscal year of the system begins. The adjusted earlier limitation is applicable to employees who are members of the ~~system plan~~ and to members who have retired or otherwise terminated their service under the ~~system plan~~ with a nonforfeitable right to accrued benefits, regardless of whether they have actually begun to receive benefits. This system shall be considered specifically to provide for such post-retirement adjustments. For any limitation year beginning after separation from service occurs, the annual adjustment factor is a fraction, the numerator of which is the adjusted dollar limitation for the limitation year in which the compensation limitation is being adjusted and the denominator of which is the adjusted dollar limitation for the limitation year in which the member

1 separated from service. No adjustment shall be permitted with respect to post  
2 October 14, 1987, limitations.

3 \* \* \*

4 §3686. Disability retirement

5 \* \* \*

6 B.(1) Upon retirement for disability, a member shall receive a retirement  
7 allowance if he has attained the age of fifty-five years; otherwise, he shall receive a  
8 disability benefit which shall be computed as follows:

9 (a) In case of total disability of any ~~harbor~~ member resulting from injury  
10 received in line of duty, a monthly pension of sixty percent of his average salary  
11 shall be paid to the disabled employee.

12 (b) Any member of the ~~system~~ plan who has become disabled or  
13 incapacitated because of continued illness or as a result of any injury received, even  
14 though not in the line of duty, and who has been a member of the ~~system~~ plan for at  
15 least five years but is not eligible for retirement under the provisions of R.S. 11:3685  
16 may apply for retirement under the provisions of this Section.

17 (c) Any disability beneficiary of the Harbor Police Retirement ~~System~~ Plan  
18 who is receiving disability benefits as a result of an injury sustained in the line of  
19 duty, and who, as a result of the disability, is permanently and completely confined  
20 to a wheelchair for movement of person, is permanently and legally blind as a result  
21 of an injury suffered in the line of duty, or as a result of his injury is an amputee to  
22 such a degree as would prevent him from serving as a law enforcement officer, shall  
23 be exempt from any provision of this Subpart or any other provision of law which  
24 provides for reduction of benefits if the recipient, subsequent to his disability,  
25 becomes gainfully employed.

26 \* \* \*

27 D.

28 \* \* \*



1 (3) Should a disability beneficiary under the age of fifty-five be restored to  
 2 active service at a compensation not less than his average final compensation, his  
 3 retirement allowance shall cease, he shall again become a member of the ~~retirement~~  
 4 ~~system~~ plan, and he shall contribute thereafter at the same rate he paid prior to  
 5 disability. Any such prior service certificate on the basis of which his service was  
 6 computed at the time of his retirement shall be restored to full force and effect, and  
 7 in addition, upon his subsequent retirement he shall be credited with all his service  
 8 as a member but should he be restored to active service on or after the attainment of  
 9 the age of fifty years his pension upon subsequent retirement shall not exceed the  
 10 sum of the pension which he was receiving immediately prior to his last restoration  
 11 and the pension that he would have received on account of his service since his last  
 12 restoration had he entered service at the time as a new entrant.

13 E. Should a member cease to be an employee except by death or retirement  
 14 under the provisions of this Subpart, he shall be paid such part of the amount of the  
 15 accumulated contributions standing to ~~the~~ his credit ~~of his individual account~~ in the  
 16 ~~Annuity Savings Fund~~ Employees' Savings Account established in R.S. 11:532 as  
 17 he shall demand. Should a member die before retirement and not be entitled to  
 18 survivors' benefits, the amount of his accumulated contributions standing to ~~the~~ his  
 19 credit ~~of his individual~~ in such account shall be paid to his estate or to such person  
 20 as he shall have nominated by written designation, duly executed and filed with the  
 21 Board of Trustees.

22 \* \* \*

23 §3688. ~~Administration~~ Actuary; duties and actuarial assumptions

24 D. ~~Actuary; duties and actuarial assumptions:~~ (1) The Board of Trustees  
 25 ~~and the Board of Commissioners of the Port of New Orleans~~ shall jointly designate  
 26 an actuary who shall be the technical advisor of the Board of Trustees on actuarial  
 27 matters regarding the operation of the ~~fund~~ plan created by the provisions of this  
 28 Subpart, and shall perform such other duties as are required in connection therewith.

CODING: Words in ~~struck through~~ type are deletions from existing law; words underscored are additions.

1 (2) The Board of Trustees shall adopt all actuarial tables, assumptions, and  
2 rates. The actuary shall make valuations and determinations based on such tables,  
3 assumptions, and rates.

4 (3) At least once in each five-year period, and upon approval of the Board  
5 of Trustees, the actuary shall make an actuarial investigation into the mortality,  
6 service and compensation experience of the members and beneficiaries of the  
7 retirement system. The Board of Trustees shall adopt for the retirement system such  
8 mortality, service, and other tables and actuarial assumptions as shall be deemed  
9 necessary.

10 ~~(4) On the basis of such tables and actuarial assumptions as the Board of~~  
11 ~~Trustees shall adopt, the actuary shall make an annual valuation of the assets and~~  
12 ~~liabilities of the funds of the system created by this Subpart.~~

13 ~~(5)~~(a) Unless different actuarial assumptions are formally adopted and  
14 disclosed, the following assumptions shall be used in determining actuarial  
15 equivalents:

16 (i) Interest shall be compounded annually at the rate of seven percent per  
17 annum.

18 (ii) Annuity rates shall be determined on the basis of the most current  
19 mortality table recommended by the Society of Actuaries for retirement systems.

20 ~~(iii) Effective July 1, 2011, interest for calculating transfers into the Harbor~~  
21 ~~Police Retirement System and for buying back refunded service shall be eight and~~  
22 ~~one-quarter percent per annum.~~

23 (b) The Board of Trustees may authorize the use of interest and mortality  
24 rates in determining the actuarial equivalents which are different from the actuarial  
25 assumptions used for other purposes in this Subpart. Any change in such actuarial  
26 assumptions shall be considered a part of this retirement system plan and shall be  
27 considered an amendment to the provisions of this Section. In order to be effective,  
28 such change must be formally adopted by the Board of Trustees and disclosed to  
29 members of the retirement system plan.

1 §3688.1. Amendments

2 A. An action of the board of trustees with respect to ~~cost-of-living~~  
3 ~~adjustments as provided in R.S. 11:3685(D)~~, employee contributions as provided in  
4 R.S. 11:154; and actuarial assumptions as provided in R.S. 11:3688(D), shall be  
5 considered amendments to the provisions of this retirement system plan.

6 B. No amendment to ~~this~~ the retirement system or plan shall operate to  
7 deprive any member of a benefit to which he is already entitled. ~~In the case of any~~  
8 ~~merger or consolidation with, or transfer of assets or liabilities to, any other~~  
9 ~~retirement system, each member in the retirement system will, if the retirement~~  
10 ~~system is then terminated, receive a benefit immediately after the merger,~~  
11 ~~consolidation, or transfer equal to or greater than the benefit he would have been~~  
12 ~~entitled to receive immediately before the merger, consolidation, or transfer, if the~~  
13 ~~retirement system had then terminated.~~

14 ~~C. Upon the termination or partial termination of the retirement system or~~  
15 ~~upon the discontinuance of contributions by the employer without formal termination~~  
16 ~~of the retirement system, the board of trustees shall reevaluate and redetermine the~~  
17 ~~benefit of each member in accordance with law, and the entire benefit of each~~  
18 ~~member may be paid or commence to be paid and distributed to such member, or in~~  
19 ~~the case of his death before such distribution, to the beneficiary or beneficiaries~~  
20 ~~designated by such member, or may be held until payment otherwise due under the~~  
21 ~~provisions of the retirement system. A member's right to his benefit is not~~  
22 ~~conditioned upon a sufficiency of plan assets in the event of termination.~~

23 \* \* \*

24 §3690. Method of financing

25 A. Employee contributions. (1) The port commission shall make deductions  
26 from any salary or wages paid by them to any member of this ~~fund~~ plan equal to nine  
27 percent of the compensation paid him in each and every payroll.

28 (2) The deductions provided for herein shall be made notwithstanding that  
29 the minimum compensation provided for by law for any member shall be reduced

1           thereby. Every member shall be deemed to consent and agree to the deductions  
 2           made and provided for herein and shall receipt for his full salary or compensation,  
 3           and payment of salary or compensation less said deductions shall be a full and  
 4           complete discharge and acquittance of all claims and demands whatsoever for the  
 5           services rendered by such person during the period covered by such payment, except  
 6           as to the benefits provided under this Subpart. The employer shall certify to the  
 7           board of trustees on each and every payroll or in such other manner as the board may  
 8           prescribe, the amounts to be deducted; and each of said amounts shall be deducted,  
 9           and when deducted shall be paid into ~~said Annuity Savings Fund~~ the Employees'  
 10          Savings Account established in R.S. 11:532, ~~and shall be credited to the individual~~  
 11          ~~account of the member from whose compensation said deduction was made.~~

12           B. Employer contributions. ~~(1)~~ The port commission shall annually  
 13          contribute an amount equal to the rate ~~per centum determined herein in accordance~~  
 14          ~~with Paragraphs (2) and (3) of this Subsection~~ calculated pursuant to R.S. 11:102.  
 15          Contributions shall be made monthly based on the same salary or wages used to  
 16          calculate the members' contributions.

17           ~~(2) The normal contribution rate shall be the rate per centum of the earned~~  
 18          ~~salary of all members obtained by deducting from the total liabilities of the fund the~~  
 19          ~~amount of the funds in hand to the credit of the fund and dividing the remainder by~~  
 20          ~~one percentum of the present value of the prospective future salaries of all members~~  
 21          ~~as computed on the basis of the mortality and service tables adopted by the board of~~  
 22          ~~trustees and interest as set forth in R.S. 11:3688(D)(5)(a)(i). The normal rate of~~  
 23          ~~contributions shall be determined by the actuary after each valuation.~~

24           ~~(3) The maximum contribution by the employer, Board of Commissioners~~  
 25          ~~of the Port of New Orleans, shall not exceed twenty percent of the earned~~  
 26          ~~compensation of the members in any one year. There shall be no contribution by~~  
 27          ~~employer other than the percentage of earned compensation of the members as~~  
 28          ~~provided in this Subpart, and subject to the maximum stated above, even in the event~~  
 29          ~~that the payment by employer should not be sufficient, when combined with the~~

1 amount in the fund, to provide the retirement allowances and other benefits payable  
2 out of the fund:

3 \* \* \*

4 §3690.2. Unclaimed funds, checks, and property; retention by system

5 Any unclaimed employee contributions, other funds, checks, or any other  
6 property held by ~~this~~ the system that could be claimed by a member or prior member,  
7 the member's beneficiary, heirs, or estate shall never be presumed abandoned and  
8 shall be held continuously by the system for the benefit of such member, prior  
9 member, the member's beneficiary, heirs, or estate.

10 §3692. Protection against fraud

11 A. Any persons who shall knowingly make any false statement or shall  
12 falsify or permit to be falsified any record or records of ~~this~~ the retirement system in  
13 any attempt to defraud such system as a result of such act shall be guilty of a  
14 misdemeanor, and on conviction thereof by any court of competent jurisdiction shall  
15 be punished by a fine not exceeding five hundred dollars or imprisonment in the  
16 parish jail not exceeding twelve months, or both such fine and imprisonment at the  
17 discretion of the court.

18 \* \* \*

19 §3695. Direct rollover

20 \* \* \*

21 C. ~~An~~ For the purposes of this Section, an "eligible retirement plan" shall  
22 mean any of the following:

23 \* \* \*

24 Section 3. R.S. 11:3682(29), 3685(D), 3688(A) through (C) and (E), 3689(B)  
25 through (E), 3690(C) and (D), 3690.1, 3691, 3693, and 3698 are hereby repealed in their  
26 entirety.

27 Section 4.(A) The board of trustees of the Louisiana State Employees' Retirement  
28 System, the board of commissioners of the Port of New Orleans, and the board of trustees  
29 of the Harbor Police Retirement System shall execute a cooperative endeavor agreement for

1 the merger of the Harbor Police Retirement System into the Louisiana State Employees'  
2 Retirement System.

3 (B) Any cooperative endeavor agreement executed pursuant to this Section shall  
4 include provisions regarding the following:

5 (1) Rights of current participants in the Harbor Police Retirement System:

6 (a) Current participants in the Harbor Police Retirement System, including retirees  
7 and active members, shall retain all accrued benefits and shall continue to accrue benefits  
8 under the terms of the Harbor Police Retirement System plan, as specified in R.S. 11:3681  
9 through 3698, except with respect to cost-of-living adjustments which shall be governed by  
10 the laws and rules of the Louisiana State Employees' Retirement System.

11 (b) Active members the Harbor Police Retirement System who have not participated  
12 in the Deferred Retirement Option Plan may join the Louisiana State Employees' Retirement  
13 System Hazardous Duty Services Plan and exercise the option to transfer prior service credit  
14 using the procedures set out in R.S. 11:620.1.

15 (2) Liabilities of the Harbor Police Retirement System:

16 (a) The Port of New Orleans shall agree to pay to the board of trustees of the  
17 Louisiana State Employees' Retirement System sums sufficient to fund all of the accrued  
18 liability of the Harbor Police Retirement System determined using the Louisiana State  
19 Employees' Retirement System actuarial assumptions.

20 (b) The liabilities shall be paid under such terms and conditions as agreed to by the  
21 parties and shall include interest at the Louisiana State Employees' Retirement System  
22 actuarially assumed rate of return as approved by the Public Retirement Systems' Actuarial  
23 Committee.

24 (C) Any cooperative endeavor agreement executed pursuant to this Section shall be  
25 provided to the House and Senate Committees on Retirement by October 1, 2014.

26 Section 5. The cost of this Act, if any, shall be funded with additional employer  
27 contributions in compliance with Article X, Section 29(F) of the Constitution of Louisiana.

28 Section 6.(A) The provisions of this Section and Sections 1, 4, and 5 of this Act shall  
29 become effective on June 30, 2014.

1 (B) The provisions of Sections 2 and 3 of this Act shall become effective July 1,  
2 2015, if the house and senate committees on retirement approve the terms of the cooperative  
3 endeavor agreement provided for in Section 4 of this Act on or before December 31, 2014.

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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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Pearson

HB No. 1278

**Abstract:** Provides for enrollment of new hires of the Harbor Police Department of the Port of New Orleans in the Hazardous Duty Services Plan in the La. State Employees' Retirement System (LASERS) and for merger of the existing Harbor Police Retirement System (HBPOL) into LASERS.

NEW EMPLOYEES OF THE HARBOR POLICE DEPARTMENT OF THE PORT OF  
NEW ORLEANS

Present law establishes the Hazardous Duty Services Plan in LASERS. Such members receive a 3.33% accrual rate, have an employee contribution rate of 9.5%, and have the following retirement eligibilities:

- (1) Twenty-five years or more of service, at any age.
- (2) Twelve years or more of service, at age fifty-five or thereafter.
- (3) Twenty years of service credit at any age, actuarially reduced from age 55.

Proposed law retains present law.

Present law provides that any commissioned member of the Harbor Police Department of the Port of New Orleans on or after July 1, 2004, shall be a member of HBPOL. Proposed law retains present law for all commissioned members hired on or before June 30, 2014.

Proposed law places any commissioned employee of the Harbor Police Department of the Port of New Orleans first hired on or after July 1, 2014, in the Hazardous Duty Services Plan in LASERS.

MEMBERS OF THE HARBOR POLICE RETIREMENT SYSTEM AS OF  
JUNE 30, 2014

Present law establishes HBPOL as a local retirement system to provide for the retirement of commissioned members and employees of the Harbor Police Department of the Port of New Orleans prior to July 1, 2004, and for the retirement of commissioned members of the police department after July 1, 2004. Proposed law abolishes HBPOL as an independent retirement system and recreates it as a plan (hereafter referred to as the "HBPOL Plan") within LASERS.

Present law provides for the administration of the HBPOL by a board of trustees comprised of active, retired, and ex officio members. Proposed law repeals the HBPOL board of trustees upon the effective date of the merger of the systems. Further provides that the HBPOL Plan shall be administered by the LASERS board.

Present law authorizes the board of HBPOL to provide cost-of-living adjustments (COLAs) to retirees whenever the system experiences excess returns above what is actuarially

required. Proposed law provides that future COLAs for HBPOL retirees and HBPOL Plan retirees shall be calculated and granted in the same manner as COLAs for LASERS retirees and beneficiaries.

Proposed law authorizes active members of the HBPOL Plan to transfer service credit to the Hazardous Duty Services Plan of LASERS. Requires the member to pay any actuarial cost, calculated in accordance with present law, for such service transfers.

Present law for HBPOL provides for payment benefits to surviving spouses and children of members. Proposed law for the HBPOL Plan changes the categories of people who may receive such benefits. Proposed law provides that a surviving totally physically or mentally disabled child, regardless of age, who is dependent on a legal guardian for subsistence is entitled to receive benefits. Requires the legal guardian to notify the board if the child becomes independent or if there are any changes in the assistance being received from other state agencies. Further requires the legal guardian to provide proof of the child's physical or mental disability. Authorizes the board to require a certified statement of the child's eligibility for the survivor benefit at the end of each calendar year.

#### EMPLOYER CONTRIBUTION RATES

Present law provides that employer contribution rates for HBPOL are capped at 20% of the earned compensation of the members in any one year. Provides that no further sums must be transferred to the retirement system in the event the payment from the employer is not sufficient to provide the retirement allowances and other benefits payable from the fund. Proposed law repeals present law. Requires employer contribution rates after the merger of the systems to be calculated in accordance with present law governing LASERS.

Present law, relative to LASERS employer contribution rates, provides for particularized contribution rates for plans within LASERS, such as the Hazardous Duty Services Plan. Proposed law provides for particularized contribution rates for the HBPOL Plan.

Present law for LASERS provides that part of the employer contribution rate is an amount to cover "shared" unfunded liabilities of the system. Such "shared" liability is comprised of two elements: (1) the unfunded liabilities of the system existing as of June 30, 2010, and (2) the unfunded liabilities system accrued after June 30, 2010, that are independent of the existence of the plans within LASERS (for example, losses incurred if the system does not achieve its actuarial assumed rate of return).

Proposed law provides that the HBPOL Plan contribution rate shall not include any shared UAL incurred on or before July 1, 2015 until the earlier of:

- (1) July 1, 2022.
- (2) The date all sums owed to LASERS by the Port of New Orleans pursuant to the terms and conditions of the cooperative endeavor agreement provided for in proposed law are paid in full.

#### ASSETS OF THE SYSTEM

Present law provides for the merger of HBPOL assets into the LASERS trust. Requires such funds to be managed in accordance with LASERS law.

#### COOPERATIVE ENDEAVOR AGREEMENT

Proposed law authorizes the boards of trustees of LASERS, HBPOL, and the board of commissioners of the Port of New Orleans to enter into a cooperative endeavor agreement for HBPOL to merge into LASERS. Provides requirements relative to the rights of HBPOL members and the liabilities of the system that shall be contained in such cooperative



endeavor agreement. Requires submission of the cooperative endeavor agreement to the House and Senate Committees on Retirement by Oct. 1, 2014.

Provisions relating to the merger of HBPOL into LASERS become effective July 1, 2015, if the house and senate committees on retirement approve the terms of the cooperative endeavor agreement authorized pursuant to proposed law.

All other provisions, including enrollment of new hires in the Hazardous Duty Plan of LASERS, become effective June 30, 2014.

(Amends R.S. 11:102(C)(1)(l) and (4)(b), 612(intro. para.), 613(A), 615(B), 3681, 3682(1), (2), (4)(a), (7), (16), (18) through (20), and (26), 3683(intro. para.), (1), and (3)(b), 3684(A), (D), and (F), 3685(A)(1)(a) and (2)(intro. para.) and (d), (B)(1), (3) through (6), and (8), (C)(1), (2), and (13), and (D), 3685.2(B)(6) and (7), 3686(B)(1), (D)(3), and (E), 3688, 3688.1, 3690(A) and (B), 3690.2, 3692(A), and 3695(C)(intro. para.); Adds R.S. 11:102(C)(1)(m), 612(2.1), 620.1, 631, and 3682(20.1); Repeals R.S. 11:3682(29), 3685(E), 3689(B) through (E), 3690 (C) and (D), 3690.1, 3691, 3693, and 3698)