

First Extraordinary Session, 2005

HOUSE BILL NO. 168

BY REPRESENTATIVE SALTER

RETIREMENT/STATE EMPS: Provides for early retirement as an alternative to involuntary workforce reduction and individual agency cuts

1 AN ACT

2 To enact provisions related to reducing the state budget by providing an incentive for  
3 employees to retire; to provide an alternative to involuntary workforce reduction and  
4 individual agency budget cuts; to provide additional options for public servants  
5 employed by agencies seeking to reduce their budgets; to provide for early payment  
6 of the unfunded accrued liability of the Louisiana State Employees' Retirement  
7 System for long-term savings in interest which would otherwise be owed by the  
8 state; to provide for state payroll reduction through a retirement incentive program  
9 and elimination of vacated positions; to allow certain members of the system to retire  
10 under specified conditions; to provide with respect to retirement eligibility and  
11 benefit calculation; to provide for maximum budget reduction through restrictions  
12 on the replacement and reemployment of certain retirees; to provide for an effective  
13 date; and to provide for related matters.

14 Be it enacted by the Legislature of Louisiana:

15 Section 1. The people of the state of Louisiana have constitutionally mandated that  
16 the state have a balanced budget in each fiscal year. The damage and devastation of  
17 Hurricanes Katrina and Rita have brought unprecedented pressures to bear on the budget of  
18 the state of Louisiana and on her citizens, causing a monumental fiscal crisis for which the  
19 state legislature has been called into special session. With a substantially revised estimate  
20 of funds available for the current fiscal year from the Revenue Estimating Conference, the  
21 state budget must be reduced drastically. The financial burdens faced by our state are  
22 overwhelming, requiring tough choices, creative thinking, and uncommon courage.

1           Section 2. The state's employees are one of her greatest assets, but the dynamic  
2 balance required to continue to provide services to the citizens of this state while conforming  
3 to the constitutional budget constraints may require a reduction in workforce. For those who  
4 have reached retirement eligibility, the meager pension provided by the state may provide  
5 some cushion in the event they must be dismissed from the employ of the state. However,  
6 for those who are not eligible to receive a regular retirement benefit, a grateful,  
7 compassionate state should attempt as humane an approach as possible to lessen the blow  
8 to those faithful servants that the fear of unemployment represents. To the extent state  
9 employees who are able to retire voluntarily sever their employment with the state, the scale  
10 of any forced termination of other state employees would be reduced. It is therefore the  
11 intent of the legislature, pursuant to the provisions of this Act, to help meet the fiscal  
12 imperatives facing the state by reducing payroll costs in a manner that is fair, equitable, and  
13 humane to the employees of the state who, it must be remembered, are also victims of the  
14 catastrophes that have ravaged Louisiana.

15           Section 3.A. Any person who has creditable service in the Louisiana State  
16 Employees' Retirement System, including any person who has been furloughed, terminated,  
17 or placed on leave without pay due to the budget reductions required by the effects of  
18 Hurricanes Katrina and Rita, who is ineligible to retire under the provisions of R.S.  
19 11:441(A)(1)(a), (b), or (c), but who has earned a minimum of ten years of creditable service  
20 and who has attained the age of fifty years, and who elects to retire under the provisions of  
21 this Act on or after December 1, 2005, and on or before January 31, 2006, shall be eligible  
22 to retire from state service and receive a retirement allowance equal to two and one-quarter  
23 percent of his average compensation, as determined pursuant to R.S. 11:231, for every year  
24 of creditable service.

25           B. Notwithstanding any other provision of law to the contrary, any person to whom  
26 this Act would otherwise apply who retired pursuant to the provisions of Act 194 of the 2004  
27 Regular Session or the provisions of R.S. 11:444(A)(1)(d) on or after November 1, 2005,  
28 shall, upon application to the system's board of trustees, have his retirement benefit  
29 recalculated under the provisions of this Act, so long as his application for recalculation is  
30 received by the system on or before January 31, 2006.

1 C. The provisions of this Act shall not apply to anyone who receives any additional  
2 benefit under any other provision of law included but not limited to R.S. 11:557, 582, and  
3 602 and R.S. 24:36.

4 Section 4. All unused accumulated sick and annual leave of a person retiring under  
5 the provisions of this Act shall be converted to retirement credit in accordance with the  
6 provisions of R.S. 11:424 and no payment shall be made therefor by any state agency other  
7 than the system; however, the individual may opt at the time of retirement to receive a lump  
8 sum benefit payment from the system for up to three hundred hours of leave so converted.  
9 Any lump-sum benefit payment made by the system under the provisions of this Section  
10 shall be calculated based on the person's rate of pay on the date he separates from service  
11 and shall not be calculated based on average compensation.

12 Section 5. The division of administration shall report to the Joint Legislative  
13 Committee on the Budget the number of positions vacated pursuant to the provisions of this  
14 Act and the fiscal savings created thereby on or before March 1, 2006. Positions within the  
15 executive branch of state government which are caused to be vacated by this Act, directly  
16 or indirectly, including by promotion to fill a vacated position, shall not be filled, except  
17 upon approval of the division of administration and in accordance with the rules and  
18 regulations of the Civil Service Commission. However, before any such approval by the  
19 division of administration of the employment of a person not already employed by the  
20 agency or not currently employed by the state, the agency shall, if necessary and feasible,  
21 and subject to the approval of the division of administration, refill the vacancy from within  
22 the agency or in cooperation with the Civil Service Commission transfer employees from  
23 another agency to refill the vacancy.

24 In no case shall any department within the executive branch of state government  
25 refill more than twenty-five percent of the positions caused to be vacated by the provisions  
26 of this Act. The division of administration shall make quarterly reports to the Joint  
27 Legislative Committee on the Budget on the number of positions which have been filled by  
28 the hiring of new employees or by transfer from one agency to another agency and the  
29 salaries associated therewith.

1           Section 6. Any person who elects to retire under the provisions of this Act who is  
2   reemployed in a position which would otherwise make him eligible for system membership  
3   shall not become a member; his benefit shall be suspended upon reemployment and no  
4   supplemental benefit shall be earned while he is so employed.

5           Section 7. The legislature shall annually appropriate out of the general fund or any  
6   budget surplus an amount equal to ten percent of the reduction in the general fund  
7   expenditures attributable to the provisions of this Act to make an additional payment to the  
8   Louisiana State Employees' Retirement System for purposes of reducing the unfunded  
9   accrued liability that existed on June 30, 1988.

10          Section 8. This Act shall become effective upon signature by the governor or, if not  
11   signed by the governor, upon expiration of the time for bills to become law without signature  
12   by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
13   vetoed by the governor and subsequently approved by the legislature, this Act shall become  
14   effective on the day following such approval.

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#### DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument.

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Salter

HB No. 168

**Abstract:** Relative to the Louisiana State Employees' Retirement System (LASERS), provides for early retirement with a reduced benefit of 2.25% of average compensation for each year of service credit for LASERS members not eligible for regular retirement including persons who have been furloughed, terminated, or placed on leave without pay due to the budget reductions required by Hurricanes Katrina and Rita, but who are at least age 50 with a minimum of 10 years of service credit and who retire within the given time frame. Provides vacancies created by such retirement shall not be filled, except if approved by the division of administration and in accordance with civil service rules. Requires that before approval for filling a vacancy from outside state service, that any such vacancy filled shall be filled from within the agency or from another agency. Prohibits filling more than 25% of the positions caused to be vacated.

Present law provides that a regular member of the Louisiana State Employees' Retirement System (LASERS) is eligible to retire and receive a benefit of 2.50% of average compensation for each year of service credit if he has:

- (1) 10 years of service credit at age 60; or
- (2) 25 years of service credit at age 55; or
- (3) 30 years of service credit at any age.

Proposed law retains present law, but between December 1, 2005, and January 31, 2006, would provide a reduced benefit of 2.25% of average compensation for each year of service credit for LASERS members not eligible for regular retirement including persons who have been furloughed, terminated, or placed on leave without pay due to the budget reductions required by Hurricanes Katrina and Rita, but who are at least age 50 with a minimum of 10 years of service credit and who retire within the given time frame.

Proposed law would provide that any person to whom proposed law would otherwise apply who retired on or after November 1, 2005, with an actuarially reduced benefit under the provisions of present law shall, upon application to the LASERS board of trustees, have his retirement benefit recalculated under the provisions of proposed law, so long as his application for recalculation is received by the system on or before January 31, 2006.

Provisions of proposed law would not apply to those groups of state employees whose benefits are calculated with an accrual rate higher than 2.50%.

Proposed law would provide that all unused accumulated sick and annual leave of a person retiring under the provisions of proposed law shall be converted to retirement credit and no payment shall be made for any unused leave by any state agency except LASERS. Proposed law would further provide that the individual may choose at the time of retirement to receive a lump sum benefit payment from LASERS for up to 300 hours of converted leave. Proposed law would provide that the lump-sum benefit payment would be calculated based on the person's rate of pay on the date he left state service and not based on average compensation.

Proposed law would provide for the division of administration to report to the Joint Legislative Committee on the Budget by March 1, 2006, regarding the positions vacated and fiscal savings created by proposed law.

Proposed law would provide that positions within the executive branch of state government which are caused to be vacated by proposed law, directly or indirectly, shall not be filled, except upon approval of the division of administration and in accordance with the rules and regulations of the Civil Service Commission. Proposed law would further provide that before approval by the division of employment of a new person from outside the agency or outside state service, the agency shall attempt to refill the vacancy from within the agency or in cooperation with the Civil Service Commission transfer employees from another agency to refill the vacancy, still subject to approval of the division.

Proposed law additionally would provide that in no case shall any department within the executive branch of state government refill more than 25% of the positions caused to be vacated by the provisions of proposed law. Proposed law would provide that the division of administration shall make quarterly reports to the Joint Legislative Committee on the Budget on the number of positions which have been filled by the hiring of new employees or by transfer from another agency and the salaries of those employees.

Proposed law would provide that a person who elects to retire under the provisions of proposed law who is reemployed in a position making him eligible for LASERS shall have his benefit suspended and no supplemental benefit shall be earned while he is so employed.

Proposed law provides that the legislature shall appropriate annually out of the general fund or any budget surplus an amount equal to 10% of the reduction in the general fund expenditures attributable to workforce reductions under proposed law to make an additional payment to LASERS for purposes of reducing the unfunded accrued liability that existed on June 30, 1988.

Effective upon signature of governor or lapse of time for gubernatorial action.