DIGEST

Badon   HB No. 61

Abstract: Establishes a "divided benefit" for all members of state and statewide retirement systems whose salary increases by more than 30%, comparing one month to the average over the previous 12, and provides for the calculation of such divided benefit and for its application.

BENEFIT CALCULATIONS

Present law generally provides for a calculation of benefits for members of state and statewide retirement systems as follows:

(Accrual rate) x (years of service) x (average compensation)

This calculation is performed when the member retires, enters DROP, files for disability benefits, or dies while in active service.

Proposed law retains present law for all members of state and statewide retirement systems whose salary does not increase by more than 30% in any twelve-month period.

Proposed law establishes a new benefit calculation for any member of a state or statewide retirement system whose salary increases by more than 30%, comparing one month to the average of the previous 12. Further provides that the new benefit is called a "divided benefit".

Provides for the calculation of a "divided benefit" as the sum of:

(1)   Total years of service prior to the 30% or greater increase in monthly earnings times the final compensation for those particular years of service times the accrual rate for those years of service.

(2)   Years of service on and after the 30% or greater increase times the final compensation for those particular years of service times the accrual rate for those years of service.

(3)   A benefit shall also be calculated in a similar manner for any period between two increases of 30% or more.

Proposed law further provides that for members with a divided benefit, the member's total years of service within the system shall be aggregated for purposes of retirement eligibility.

Further provides that if a member achieves the qualifications for a divided benefit under proposed law, the divided benefit shall be used to calculate all benefits earned by the member, including normal retirement benefits, disability benefits, and survivor benefits.

AVERAGE COMPENSATION

Present law generally provides for a calculation of the average earnings of a member during a specific period of time, which calculation is then used in the calculation of benefits. Such calculation of average earnings is variously referred to in present law as "average compensation", "average salary", "monthly average final compensation", or some other variation. Typically, the average is calculated over either three or five years, depending on when the member first became eligible for membership.

Proposed law retains present law for all members of state and statewide retirement systems who do not require a "divided benefit" calculation.

Proposed law provides that for a "divided benefit" calculation, the "average compensation" shall be the average of the member's earnings over the otherwise applicable present law time period, within a period of service for a divided benefit calculation. Further provides that if the period of service is less than the otherwise required present law time period for calculation, the period shall be the number of whole months worked in that calculation period.

Proposed law further provides that for the purposes of disability and survivor benefits, "final compensation" shall mean the sum of all final compensation calculations required pursuant to proposed law, each calculation weighted in proportion to the relation between the number of years of service attributable to each calculation and the total number of years of service of the member.

(Amends R.S. 11:403(5), 612(1), 701(5)(a), 1002(6), 1310(A), 1345.2, 1402(6), 1432(A), 1503(7), 1581(5), 1732(15), 1902(14), 2031(5), 2165.2(A)(1), 2178.1(C)(intro. para.), 2213(4), and 2252(4) and adds R.S. 11:403(9.1), 612(1.1), 701(5)(f) and (9.1), 1002(11.1) 1307.2, 1310(B), 1402(3.1), 1503(3.1), 1581(8.1), 1732(11.2), 1902(10.1), 2031(8.1), 2178.2, 2213(9.1), and 2252(8.1))