

Regular Session, 2014

HOUSE BILL NO. 78

BY REPRESENTATIVE MONToucET

RETIREMENT BENEFITS: Relative to retirement benefits of adult probation and parole officers in LASERS

1 AN ACT

2 To amend and reenact R.S. 11:546(C) and to enact R.S. 11:444(A)(2)(d), 546(D) and (E),
3 and 605(D), relative to retirement benefits of adult probation and parole officers in
4 the Louisiana State Employees' Retirement System; to provide for benefit
5 calculation; to provide for funding; to provide an effective date; and to provide for
6 related matters.

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

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 11:546(C) is hereby amended and reenacted and R.S.
12 11:444(A)(2)(d), 546(D) and (E), and 605(D) are hereby enacted to read as follows:

13 §444. Computation of retirement benefit

14 A.

15 * * *

16 (2)

17 * * *

18 (d)(i) Probation and parole officers in the office of adult services of the
19 Department of Public Safety and Corrections who were employed on or before
20 December 31, 2001, who did not join the secondary component of this system

pursuant to R.S. 11:605(A), and who retire or begin participation in the Deferred Retirement Option Plan on or after July 1, 2014, shall receive a maximum retirement allowance equal to three percent of average compensation, as determined pursuant to R.S. 11:403(5), for every year of creditable service in the retirement system before July 1, 2014, and three and one-third percent of average compensation, as determined by R.S. 11:403(5), for every year of creditable service in the retirement system on or after July 1, 2014.

8 (ii) A probation and parole officer to whom this Subparagraph otherwise
9 applies, but who entered the Deferred Retirement Option Plan before July 1, 2014,
10 and who continues in employment after participation in the plan shall receive a
11 supplemental benefit pursuant to R.S. 11:450(D) for such continued employment.
12 Such supplemental benefit shall be calculated using the accrual rate of three percent
13 for post-participation employment before July 1, 2014, and three and one-third
14 percent for such employment on or after July 1, 2014.

15 (iii) Nothing in this Subparagraph shall be construed to allow recalculation
16 of benefits for any retiree, or of base benefits as defined in R.S. 11:450(D) for any
17 Deferred Retirement Option Plan participant, or for any person who continued in
18 employment after completing participation in such plan.

19 * * *

20 §546. Adult Probation and Parole Officer Retirement Fund

21 * * *

C. Monies in the fund shall be invested in the same manner as the state general fund monies. Interest earned on the investment of monies in the fund, after being credited to the Bond Security and Redemption Fund pursuant to Article VII, Section 9(B) of the Constitution of Louisiana, shall be credited to the fund. All unexpended and unencumbered monies and earnings remaining in the fund at the end of the fiscal year shall remain in the fund, until the legislature provides for enhanced benefits for probation and parole officers in the office of adult services of the

1 ~~Department of Public Safety and Corrections who have service credit in the primary~~
2 ~~component of the system.~~

3 D.(1) Until any actuarially accrued liability for retirement benefits for
4 probation and parole officers in the office of adult services of the Department of
5 Public Safety and Corrections created pursuant to the Act of the 2014 Regular
6 Session of the Legislature of Louisiana that enacted this Subsection has been fully
7 funded, the monies in the fund shall be used exclusively for the purpose of providing
8 funding for such actuarially accrued liability, and for payment of any normal cost
9 increase caused by the Act of the 2014 Regular Session of the Legislature of
10 Louisiana that enacted this Subsection.

11 ~~(2) If the legislature does not provide for such benefit enhancements by June~~
12 ~~30, 2015~~ After such actuarially accrued liability has been fully funded, all monies in
13 the fund shall be available to the Department of Public Safety and Corrections to
14 help defray the costs of supervision of persons on probation or parole, including the
15 normal cost of retirement benefits for employees of the department who are members
16 of this system.

17 E.(1) On March 30, 2015, the treasurer shall allocate and distribute to the
18 system from the fund an initial payment of one million dollars. This payment shall
19 be used first to fund the first year's normal cost increase. The balance shall be
20 applied to the amortization of the unfunded accrued liability, if any, created by
21 enactment of R.S. 11:444(A)(2)(d). The June 30, 2014, system valuation shall
22 account for this initial payment.

23 (2) On April 1, 2016, and on April first of each year thereafter, the treasurer
24 shall allocate and distribute to the system from the fund the amount of any
25 amortization and normal cost payments to be paid from the fund as calculated by the
26 system actuary and contained in the system's valuation for the previous fiscal year
27 and approved by the Public Retirement Systems' Actuarial Committee; however, the
28 allocation and distribution to the system provided for in this Paragraph shall not
29 exceed the balance in the fund.

(3) In addition to the payment required by Paragraph (2) of this Subsection, on April first of each year, the treasurer shall allocate and distribute to the system from the fund any amount over fifty thousand dollars of the balance remaining in the fund after the payment required by Paragraph (2) of this Subsection has been made. Thereafter, not less than quarterly, the treasurer shall allocate and distribute to the system any balance remaining in the fund exceeding fifty thousand dollars. The system shall hold these allocations and distributions in a separate account to be used only for the following purposes:

(a) Funding the next fiscal year's payment for actuarially accrued liability and normal cost payable pursuant to Paragraph (2) of this Subsection, if the balance in the fund is insufficient to fully finance that fiscal year's payment.

(b) To make an additional payment toward the actuarially accrued liability created by the Act of the 2014 Regular Session of the Legislature of Louisiana that enacted this Subsection.

(4) Any unpaid portion of an amortization or normal cost payment for a particular fiscal year shall be included in the next year's system valuation as part of an individualized calculation pursuant to R.S. 11:102(C)(3) and (4).

* * *

§605. Transfer of other service credit

* * *

D. Notwithstanding the provisions of Subparagraph (B)(2)(a) of this Section, any member who is a probation and parole officer in the office of adult services of the Department of Public Safety and Corrections, who was employed on or before December 31, 2001, who elected to transfer from the primary component to the secondary component but who opted not to transfer his primary component service credit on an actuarial basis, who has not upgraded his service credit as permitted pursuant to Subparagraph (B)(2)(b) of this Section, and who retires or begins participation in the Deferred Retirement Option Plan on or after July 1, 2014, shall receive a benefit calculated using a three percent accrual rate for all creditable

1 service in the system earned before the date the member transferred to the secondary
2 component.

3 Section 2.(A) The amount of the unfunded actuarially accrued liability, if any,
4 resulting from the implementation of the provisions of this Act and a required amortization
5 payment therefor shall be determined by the Public Retirement Systems' Actuarial
6 Committee as part of the annual adoption of the official actuarial valuation for the Louisiana
7 State Employees' Retirement System pursuant to R.S. 11:127, beginning with the June 30,
8 2014, valuation. This determination shall include the initial payment required for March 30,
9 2015. Such unfunded actuarially accrued liability shall be amortized as a separate unfunded
10 accrued liability forming level dollar payments over a period of ten years.

11 (B) The additional actuarial cost, if any, of the benefit provisions contained in this
12 Act not funded by payments pursuant to Section 2(A) of this Act shall be funded with
13 increased employer contributions in compliance with Article X, Section 29(F) of the
14 Constitution of Louisiana.

15 Section 3. Benefits provided for pursuant to this Act shall not be suspended,
16 reduced, or denied unless a final, nonappealable judgment declaring this Act unconstitutional
17 has been rendered by a court of competent jurisdiction.

18 Section 4. In the case of any conflict between the provisions of this Act and the
19 provisions of any other Act of the 2014 Regular Session of the Legislature of Louisiana, the
20 provisions of this Act shall supersede and control regardless of the order of passage.

21 Section 5. This Act shall become effective on June 30, 2014; if vetoed by the
22 governor and subsequently approved by the legislature, this Act shall become effective on
23 June 30, 2014, or on the day following such approval by the legislature, whichever is later.

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)]

Montoucet

HB No. 78

Abstract: Provides for the retirement benefit calculation and funding of additional accruals for adult probation and parole officers in the primary component of the La. State Employees' Retirement System (LASERS).

Present law provides relative to LASERS. Provides, in part, for retirement of probation and parole officers employed by the Dept. of Public Safety and Corrections (DPS&C) in the office of adult services.

Present law provides for a "primary component" and a "secondary component" of LASERS for certain DPS&C employees. Provides that the secondary component applies to wardens, correctional officers, probation and parole officers, and security personnel who are hired on or after Jan. 1, 2002. Present law provides that any employee hired before Jan. 1, 2002, to whom the provisions of the secondary component would otherwise apply may elect to become a member of the secondary component. Provides for special retirement eligibility and benefit calculation for persons in the secondary component.

Present law provides that the secondary component shall not include any other members of the primary component or members of any other retirement system to which the state makes contributions.

Proposed law retains present law.

Benefit Calculation

Present law provides for calculation of benefits for LASERS members, including probation and parole officers in the primary component. Provides that a LASERS member who retires effective on or after July 1, 1973, shall receive a maximum retirement allowance equal to 2.5% of average final compensation for every year of creditable service. Proposed law retains present law.

Present law provides for calculation of benefits for members of the secondary component. Provides that a member of the secondary component shall receive a maximum retirement allowance equal to 3-1/3% of average final compensation for every year of creditable service.

Proposed law provides that adult probation and parole officers who were employed on or before Dec. 31, 2001, who opted to remain in the primary component pursuant to present law, and who retire or enter the Deferred Retirement Option Plan (DROP) on or after July 1, 2014, shall receive a maximum retirement allowance equal to 3% of average compensation for service prior to July 1, 2014, and 3-1/3% of average compensation for service on or after July 1, 2014. Provides that such a probation and parole officer who entered DROP before July 1, 2014, and who continues in employment after participation in DROP shall receive a supplemental benefit calculated using the 3% accrual rate for post-DROP employment before July 1, 2014, and using the 3-1/3% accrual rate for post-DROP employment on or after July 1, 2014.

Present law provides for transfer from the primary component to the secondary component. Provides that an employee who transfers to the secondary component may transfer service credit from the primary component to the secondary component on an actuarial basis or may transfer the service credit at the accrual rate earned in the primary component. Provides that an employee whose transfer to the secondary component was not on an actuarial basis may pay the actuarial cost to "upgrade" his primary component service credit to the secondary component accrual rate of 3-1/3%.

Proposed law provides that, notwithstanding the provisions of present law, any adult probation and parole officer employed before Jan. 1, 2002, who elected to transfer from the primary component to the secondary component but who opted not to transfer his primary component service credit on an actuarial basis, who did not upgrade his service credit as permitted pursuant to present law, and who retires or enters DROP on or after July 1, 2014, shall receive a benefit calculated at an accrual rate of 3% for all creditable service in the system earned before the date the member transferred to the secondary component.

Adult Probation and Parole Officer Retirement Fund

Present law provides for the "Adult Probation and Parole Officer Retirement Fund", a special fund in the state treasury. Provides that monies in the fund shall remain in the fund until the legislature provides for enhanced benefits for adult probation and parole officers who have service credit in the primary component.

Proposed law provides for such benefit enhancements.

Proposed law provides that until any actuarially accrued liability for retirement benefits for adult probation and parole officers created pursuant to proposed law has been fully funded, the monies in the fund shall be used exclusively for the purpose of providing funding for such actuarially accrued liability and for normal costs.

Present law provides that after such actuarially accrued liability has been fully funded, the monies in the fund shall be made available to the DPS&C to defray the costs of supervision of persons on probation and parole. Proposed law retains present law and adds payment of the normal cost of retirement benefits for employees of the department who are members of LASERS as an authorized use of the funds pursuant to present law.

Proposed law provides that on March 30, 2015, the treasurer shall remit to LASERS from the fund \$1,000,000 to cover the initial increase in cost due to enactment of proposed law as well as help pay any UAL created due enactment of proposed law.

Proposed law further provides that on April 1 of each year, beginning with FY 2015-2016, the treasurer shall allocate and distribute to LASERS from the fund the amount of any amortization payment and normal cost approved by the Public Retirement Systems' Actuarial Committee (PRSAC) to be paid from the fund. In addition, the treasurer shall remit to LASERS all money in the fund in excess of \$50,000. Furthermore, on at least a quarterly basis, the treasurer shall remit to LASERS all money in the fund in excess of \$50,000.

Proposed law requires that any unpaid portion of an amortization payment provided for in proposed law for a particular fiscal year shall be paid as provided in present law.

Present law (R.S. 11:102(B)(3)(d)(v)) provides for a 30-year amortization period for changes in actuarial liability to LASERS resulting from actuarial gains and losses, changes in the method of valuing assets, changes in actuarial assumptions, and changes in actuarial accrued liability, including the changes in actuarial liability resulting from adult probation and parole officers' benefits.

Present constitution (Art. X, §29(F)) requires a future benefit provision of LASERS that has an actuarial cost to identify a funding source sufficient to pay the cost within 10 years of the effective date of the benefit provision.

Proposed law requires that the amount of the unfunded actuarially accrued liability, if any, resulting from the implementation of proposed law and a required amortization payment for such liability shall be determined by PRSAC as part of the annual adoption of the official actuarial valuation for LASERS. Requires that such unfunded accrued liability be amortized as a separate liability forming level dollar payments over a 10-year period. Provides that if the monies available from the fund created pursuant to proposed law are insufficient to pay any year's amortization payment or normal cost, then the balance of such payment shall be paid as provided in present law.

Proposed law provides that benefits provided for pursuant to proposed law shall not be suspended, reduced, or denied unless a final, nonappealable judgment declaring proposed law unconstitutional has been rendered by a court of competent jurisdiction.

Proposed law provides that in the case of any conflict between the provisions of proposed law and the provisions of any other Act of the 2014 R.S., the provisions of proposed law shall supersede and control regardless of the order of passage.

Effective June 30, 2014.

(Amends R.S. 11:546(C); Adds R.S. 11:444(A)(2)(d), 546(D) and (E), and 605(D))