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## DIGEST

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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))