
The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Laura Gail Sullivan.

DIGEST

Proposed law provides for a second tier of benefits in each state and statewide retirement system, at the option of the employer, known as "Tier 2". Provides that the current provisions of each retirement system, including any subplans, shall be known as "Tier 1".

The state retirement systems are:

- (1) Louisiana State Employees' Retirement System (LASERS)
- (2) Teachers' Retirement System of Louisiana (TRSL)
- (3) Louisiana School Employees' Retirement System (LSERS)
- (4) State Police Pension and Retirement System (State Police)

The statewide retirement systems are:

- (1) Assessors' Retirement Fund (ARF)
- (2) Clerks' of Court Retirement and Relief Fund (Clerks)
- (3) District Attorneys' Retirement System (DARS)
- (4) Firefighters' Retirement System (FRS)
- (5) Municipal Employees' Retirement System (MERS)
- (6) Municipal Police Employees' Retirement System (MPERS)
- (7) Parochial Employees' Retirement System (PERS)
- (8) Registrars of Voters Employees' Retirement System (ROVERS)
- (9) Sheriffs' Pension and Relief Fund (Sheriffs)

Proposed law provides that participation in Tier 2 shall be at the option of the employing agency. Provides that participation shall apply to all the agency's employees for benefits accrued on or after the date the agency begins participating in Tier 2, regardless of whether all agency employees are in a single system or subplan in Tier 1.

Proposed law provides that an agency opting into Tier 2 from Tier 1 shall notify its employees and the retirement system. For retirement systems with a plan year beginning July 1st, requires the agency to provide notice on or before the December 31st prior to the switch. For retirement systems with a plan year beginning on another date, requires the agency to provide notice at least 180 days before the plan year begins. Provides that a switch from Tier 1 to Tier 2 may only be made at the beginning of a plan year.

Proposed law provides that Tier 2 shall have a hazardous duty subplan and a nonhazardous duty subplan. Provides that the hazardous duty subplan shall apply to Tier 2 for:

- (1) members of State Police;
- (2) employees otherwise eligible for the LASERS Tier 1 "Haz Plan"; and
- (3) employees covered by MERS, MPERS, FRS, and Sheriffs who receive supplemental pay pursuant to present law.

Provides that the nonhazardous duty subplan applies for all other Tier 2 members.

Nonhazardous subplan

Proposed law provides for Tier 2 nonhazardous employees to contribute an additional 0.5% of pay above the contribution rate required for employees in Tier 1 of the system.

Proposed law provides for eligibility for an unreduced retirement benefit with five years of service credit at age 65. Provides for retirement with 25 years of service at any age, with an actuarially-reduced benefit.

Proposed law provides for a maximum retirement allowance calculation as follows:

2.5% x 60-month average compensation x years of service.

Provides for a 15% antispiking provision.

Hazardous subplan

Proposed law provides for Tier 2 hazardous employees to contribute an additional 1.0% of pay above the contribution rate required for employees in Tier 1 of the system.

Proposed law provides for eligibility for an unreduced retirement benefit with 12 years of service credit at age 57, if the employee is in service at his retirement. Provides that an employee who separates from service before he is eligible to receive an unreduced benefit pursuant to proposed law may receive an unreduced benefit if he has 12 or more years of service credit and has attained the age of 60 years or more. Provides for retirement with 20 years of service at any age, with an actuarially-reduced benefit.

Proposed law provides that a participant in the Tier 2 hazardous subplan with fewer than 12 years of service credit but more than five years may retire pursuant to the provisions of proposed law for Tier 2 nonhazardous subplan members.

Proposed law provides for a maximum retirement allowance calculation as follows:

3.0% x 60-month average compensation x years of service.

Provides for a 15% antispiking provision.

Retirement options

Proposed law provides that upon application for retirement any Tier 2 member may elect to receive his benefit in a retirement allowance payable throughout his life, or he may elect at that time to receive the actuarial equivalent of his retirement allowance in a reduced retirement allowance payable throughout life, pursuant to any retirement option provided for Tier 1 members of the system pursuant to present law.

Proposed law provides that no member of Tier 2 shall be eligible to participate in any deferred retirement option plan or program or any similar retirement option that requires continued employment for participation. Provides, however, a Tier 2 member may participate in any initial benefit option, initial lump sum benefit option, back-deferred retirement option plan or program, or any similar retirement option designed to provide a reduced annuity in exchange for a lump-sum payment which is selected upon separation from service.

Other provisions

Proposed law provides that an employee who separates from employment covered by the retirement system who has Tier 2 service credit of more than four years but less than five years may apply for a refund of Tier 2 contributions. Specifies that the employee's refund pursuant to proposed law shall include 4% annual interest.

Proposed law provides that eligibility for retirement and benefit calculation for an employee who has service credit in both Tier 1 and Tier 2 of a retirement system shall be governed by the provisions of present law for reciprocal recognition of service credit.

Proposed law provides that an employing agency terminating its participation in Tier 1 of the retirement system shall remit to the retirement system its proportionate share of any unfunded actuarial accrued liability of Tier 1. Provides that the amounts required to be remitted pursuant to proposed law shall be determined by the actuary employed by the retirement system as of plan year ending immediately prior to the date the employer begins participation in Tier 2, and shall account for any legacy costs attributable to the employing agency's retirees.

Proposed law provides that the amounts due pursuant to proposed law shall, at the option of the employing agency, be paid either in a lump sum or in equal monthly payments with interest at the

retirement system's actuarial valuation rate amortized over the longer of ten years or the amortization period utilized in the retirement system's most recent valuation approved by the Public Retirement Systems' Actuarial Committee.

Proposed law provides that the provisions of present law for the applicable Tier 1 system or subplan shall apply to Tier 2 for any matter on which proposed law is silent. In case of any conflict between the provisions of proposed law and present law, proposed law shall prevail.

Effective July 1, 2011.

(Adds R.S. 11:381-392)