DIGEST

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Pearson HB No. 530

Abstract: Relative to the La. State Employees' Retirement System (LASERS), the Teachers' Retirement System of La. (TRSL), and the State Police Pension and Retirement System (STPOL), increases employee contributions, changes from a 3-year to a 5-year Final Average Compensation (FAC), and provides for more restrictive "anti-spiking" provisions for state employees, higher education employees, and state troopers. Provides for payment of Unfunded Accrued Liability (UAL).

EMPLOYEE CONTRIBUTIONS

Present law (R.S. 11:62) establishes the employee contribution rates in the following amounts for members of LASERS, TRSL, and STPOL:

I. LASERS

(1) LASERS: Rank-and-file state employees - 7.5% if first employed on or before June 30, 2006; 8% if first employed on or after July 1, 2006.

(2) LASERS: Judges - 11.5% if first employed on or before December 31, 2010; and 13% if first employed on or after January 1, 2011.

(3) LASERS: Legislators - 11.5%.

(4) LASERS: Certain court officers - 11.5% if first employed on or before December 31, 2010; and 8% if first employed on or after January 1, 2011.

(5) LASERS: Governor and lieutenant governor - 11.5% if first employed on or before December 31, 2010; and 8% if first employed on or after January 1, 2011.

(6) LASERS: Clerk of the House, Secretary of the Senate, and sergeant at arms of the House and Senate - 9.5% if first employed on or before December 31, 2010; and 8% if first employed on or after January 1, 2011.

(7) LASERS: Certain correctional employees employed by the DPS&C; peace officers employed by the DPS&C, office of state police, other than state troopers; and personnel employed by the Dept. of Revenue, office of alcohol and tobacco control, first employed on or before December 31, 2010, - 9%.

(8) LASERS: Wildlife agents first employed on or before December 31, 2010, - 9.5%.

(9) LASERS: Bridge police of the Crescent City Connection Division of DOTD, first employed on or before December 31, 2010, - 8.5%.

(10) LASERS: Hazardous duty personnel first employed on or after January 1, 2011 - 9.5%.

(11) TRSL: 8% for regular members, 9.1% for School Lunch Plan A members, and 5% for School Lunch Plan B members.

(12) STPOL: Members first employed on or before December 31, 2010, - 8.5%. Members first employed on or after January 1, 2011 - 9.5%.

Proposed law increases employee contributions for LASERS members, TRSL members employed in higher educations and STPOL members in any fiscal year in which the employer contribution rate for those systems exceeds 23%. Rates shall be increased by 1.5% of such members' first $50,000 in salary and by 3% on any amount of salary over $50,000.

EMPLOYER CONTRIBUTIONS

Present law (R.S. 11:102) generally provides the method for actuarially determining the employer contribution rate for state retirement systems every fiscal year. Such employer contribution shall be a percentage of the total payroll of active members in a given system. Requires each employer paying a portion of a member's salary to fund the employer contribution on that portion of the member's salary.

Proposed law provides that when employee contribution rates increase pursuant to proposed law, the employer contribution rate for non-general fund dollars shall be calculated as provided in present law, but that the employer contribution rate for general-fund dollars shall be calculated (reduced) based on the increase in employee contributions pursuant to proposed law.

Proposed law provides that the dollar amount difference between non-general fund dollars remitted to the system and general fund dollars shall be applied toward reducing the system's UAL.

AVERAGE COMPENSATION

Present law generally provides for a benefit calculation formula for members of each state system typically consisting of: (years of service) x (accrual rate) x (final average compensation).

Present law (R.S. 11:403(5), 701(5) and 1310), relative to LASERS, TRSL, and STPOL provides varying periods of FAC for members of those systems ranging from 3 to 5 years. Present law furthermore applies "anti-spiking" provisions to a member's FAC period, during which a member's compensation, for benefit calculation purposes, shall not increase by more than a certain percentage, typically ranging from 10% to 25%. FAC and anti-spiking provisions for

LASERS, TRSL, and STPOL are as follows:

(1) LASERS: Rank-and-file members hired on or before June 30, 2006, have a 3-year FAC and 25% anti-spiking. Rank-and-file members hired after such date have a 5-year FAC and 15% anti-spiking.

(2) LASERS: Special groups such as the governor, lieutenant governor, and legislators, hired on or before December 31, 2010, have a 3-year FAC and 25% anti-spiking. Such members hired on or after January 1, 2011, have a 5-year FAC and 15% anti-spiking.

(3) LASERS: Certain hazardous duty groups hired on of before December 31, 2010, have a 3-year FAC and 25% anti-spiking. Such members hired on or after January 1, 2011, have a 5-year FAC and 15% anti-spiking.

(4) TRSL: Members hired on of before December 31, 2010, have a 3-year FAC and 10% anti-spiking. Members hired on or after January 1, 2011, have a 5-year FAC and 15% anti-spiking.

(5) STPOL: Members hired on or before December 31, 2010, have a 3-year FAC and 25% anti-spiking. Such members hired on or after January 1, 2011, have a 5-year FAC and 15% anti-spiking.

Proposed law provides that every member of LASERS, higher education employees in TRSL, and members of STPOL shall have a 5-year FAC and 5% anti-spiking.

Proposed law further provides, as a transition provision, that proposed law shall not cause the average compensation of any member retiring on or after the effective date of proposed law to be less than such member's average compensation as it existed under present law when proposed law becomes effective..

Effective July 1, 2011.

(Amends R.S. 11:102(B)(1), (2)(b)(ii), 403(5), 450(B), 531(A)(1)(c), 612(1), 701(5)(b) through (e), 1304(1), 1310(A), and 1345.2(1); Adds R.S. 11:63 and 701(5)(f))