

Regular Session, 2011

SENATE BILL NO. 9

BY SENATOR GAUTREAUX

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

RETIREMENT CREDIT. Allows members of the Louisiana State Employees' Retirement System to purchase service credit for purposes of retirement eligibility. (7/1/11)

AN ACT

To amend and reenact R.S. 11:429(B), relative to the purchase of service credit in the Louisiana State Employees' Retirement System; to provide for the purchase of service credit and the use of such credit for the purpose of attaining eligibility for retirement; to provide relative to the payment of insurance premiums for individuals purchasing such service credit; to provide for an effective date; and to provide for related matters.

Notice of intention to introduce this Act has been published.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 11:429(B) is hereby amended and reenacted to read as follows:

§429. Purchase of service credit

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B.(1) Notwithstanding any other provision of law to the contrary, any member of the system who has credit in the system for at least five years of service shall be eligible to obtain credit for up to five years of service credit in one-year increments provided that he shall apply to the system for such credit and pay to the system the greater of the amount calculated in accordance with the actuarial cost

1 provisions of R.S. 11:158 or the employee and employer contributions plus interest  
2 based on the member's current salary, which totally offsets the increase in accrued  
3 liability of the system resulting from the receipt of the credit by the member.

4 Employee and employer contributions shall be based on a hypothetical annual  
5 employment history for the number of years of service purchased starting with  
6 the June thirtieth prior to the purchase date and working back until the entire  
7 period of service being purchased is accounted for. Employee and employer  
8 contribution rates applicable to the fiscal years in the hypothetical history shall  
9 be the rates applicable for the member and for his employer for those years.  
10 Salaries in the hypothetical history shall be equal to the actual salaries earned  
11 by the member during those periods if the person was a member of the system,  
12 or derived from the salary increase assumption used in the most recent  
13 actuarial valuation if the person was not a member of the system. All employee  
14 and employer contributions are assumed to be made in the middle of the fiscal  
15 year. Interest, based on the interest rate used in the most recent actuarial  
16 valuation shall be calculated from the assumed payment date to the date of the  
17 purchase of service credit pursuant to this Paragraph. The amount to be paid  
18 shall be paid in one lump sum, and no service credit shall be given to the member  
19 until or unless the amount is paid in full. Any credit purchased pursuant to this  
20 ~~Subsection~~ Paragraph shall be used for calculation of benefits only and shall not be  
21 used for purposes of attaining eligibility for retirement except as otherwise  
22 authorized in this Subsection.

23 (2) Notwithstanding any other provision of law to the contrary, any  
24 member of the system who has credit in the system for at least five years of  
25 service shall be eligible to obtain credit for purposes of attaining eligibility for  
26 retirement and calculation of benefits for up to five years of service credit in  
27 one-year increments provided that he shall apply to the system for such credit  
28 and pay the greater of the amount calculated in accordance with the actuarial  
29 cost provisions of R.S. 11:158 or the employee and employer contributions plus

1 interest based on the member's current salary, which totally offsets the increase  
2 in accrued liability of the system resulting from the receipt of the credit by the  
3 member. Employee and employer contributions shall be based on a  
4 hypothetical annual employment history for the number of years of service  
5 purchased starting with the June thirtieth prior to the purchase date and  
6 working back until the entire period of service being purchased is accounted  
7 for. Employee and employer contribution rates applicable to the fiscal years in  
8 the hypothetical history shall be the rates applicable for the member and for his  
9 employer for those years. Salaries in the hypothetical history shall be equal to  
10 the actual salaries earned by the member during those periods if the person was  
11 a member of the system, or derived from the salary increase assumption used  
12 in the most recent actuarial valuation if the person was not a member of the  
13 system. All employee and employer contributions are assumed to be made in  
14 the middle of the fiscal year. Interest, based on the interest rate used in the  
15 most recent actuarial valuation shall be calculated from the assumed payment  
16 date to the date of the purchase of service credit pursuant to this Paragraph.  
17 The amount to be paid shall be paid in one lump sum, and no service credit shall  
18 be given to the member until or unless the amount is paid in full.

19 (3) Notwithstanding any other provision of law to the contrary, any  
20 member of the system who has purchased service credit under the provisions  
21 of Paragraph (1) of this Subsection shall be eligible to upgrade all or a portion  
22 of the service credit previously purchased for calculation of benefits to service  
23 credit for attaining eligibility and benefit calculation in one-year increments  
24 provided that he shall apply to the system for such credit and pay to the system  
25 the amount calculated in accordance with the actuarial cost provisions of R.S.  
26 11:158, less the amount, if any, by which any employee and employer  
27 contributions plus interest paid by the member at the time of the previous  
28 purchase, exceeded the actuarial cost under R.S. 11:158 at the time of the  
29 previous purchase, inclusive of interest on any such excess at the board-

approved actuarial rate from the date of the previous purchase to the date of the upgrade, but not less than zero, which totally offsets the increase in accrued liability of the system resulting from the receipt of the credit by the member. The amount to be paid shall be paid in one lump sum, and no service credit shall be given to the member until or unless the amount is paid in full.

(4) Notwithstanding any other provision of law to the contrary, the premiums for health insurance coverage paid by any retiree participating in the office of group benefits program who has purchased service credit pursuant to Paragraph (2) or (3) of this Subsection, and who retires earlier than he would otherwise have been eligible for regular retirement without such purchased credit, shall be increased by an amount sufficient to pay for any increase in the employer's premiums that results from such retirement. Such increase in the retiree's premium shall be deducted from the retiree's monthly benefit and remitted to the office of group benefits to offset the employer's premium payments by such amount. The premium payments made pursuant to this Paragraph shall cease when the retiree attains the age at which his earned creditable service, not including service purchased pursuant to this Subsection, would have been sufficient to meet eligibility requirements for regular retirement.

Section 2. This Act shall become effective on July 1, 2011; if vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on July 1, 2011, or on the day following such approval by the legislature, whichever is later.

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The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Lauren Bailey.

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#### DIGEST

Gautreaux (SB 9)

Present law (R.S. 11:429(B)) permits any member of the Louisiana State Employees' Retirement System (LASERS) who has credit in the system for at least five years of service to purchase up to five years of service credit in one-year increments to be used for calculation of benefits only and not for purposes of attaining retirement eligibility. Provides that the member shall apply to the system for such credit and pay to the system the greater of the amount calculated in accordance with the actuarial cost provisions of present law or the employee and employer contributions plus interest based on the member's current salary,

which totally offsets the increase in accrued liability of the system resulting from such purchase of service credit. Provides the amount to be paid shall be paid in one lump sum, and no service credit shall be given to the member until or unless the amount is paid in full.

Proposed law retains present law.

New purchase of service credit:

Proposed law provides that any member of LASERS who has credit in the system for at least five years of service shall be eligible to purchase up to five years of service credit in one-year increments for purposes of attaining eligibility for retirement and calculation of benefits.

Upgrade of previously purchased service credit:

Proposed law provides for an upgrade of service credit previously purchased for benefit calculation only pursuant to present law (R.S. 11:429(B)) to service credit applicable to both calculation of benefits and retirement eligibility.

Proposed law provides for application, calculation of purchase price, and lump-sum payment for a new purchase or an upgrade as provided in present law.

Proposed law provides that any member who elects to upgrade previously purchased credit shall receive an offset in cost equal to the amount, if any, by which the employee and employer contributions plus interest based on the member's current salary, exceeded the actuarial cost under R.S. 11:158 at the time of the previous purchase, inclusive of interest on any such excess at the board-approved actuarial rate from the date of the previous purchase to the date of the upgrade.

Proposed law requires any retiree who purchased service credit under proposed law to pay any increase in his Office of Group Benefits health insurance premium to cover any increase in premium that would otherwise be paid by his employer as a result of the retirement only if the member retires earlier than he would otherwise have been eligible to retire without his purchase of service credit.

Proposed law provides that the increased premium payments shall cease when the retiree attains the age at which his earned creditable service, not including service purchased pursuant to proposed law, would have been sufficient to meet eligibility requirements for regular retirement.

Effective July 1, 2011.

(Amends R.S. 11:429(B))

#### Summary of Amendments Adopted by Senate

##### Committee Amendments Proposed by Senate Committee on Retirement to the original bill.

1. Provides that a member who elects to upgrade previously purchased credit shall receive an offset in cost equal to the amount, if any, by which the employee and employer contributions plus interest based on the member's current salary, exceeded the actuarial cost under R.S. 11:158 at the time of the previous purchase, inclusive of interest on any such excess at the board-approved actuarial rate from the date of the previous purchase to the date of the upgrade.

2. Clarifies that a member must pay any increase in his Office of Group Benefits health insurance premium to cover any increase in premium that would otherwise be paid by his employer as a result of his retirement only if he retires earlier than he would otherwise have been eligible to retire without his purchase of service credit.
3. Provides that the increased premium payments shall cease when the retiree attains the age at which his earned creditable service, not including service purchased pursuant to this Act, would have been sufficient to meet eligibility requirements for regular retirement.