Regular Session, 2011

HOUSE BILL NO. 332

BY REPRESENTATIVE PEARSON AND SENATOR GAUTREAUX

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

RETIREMENT/STATE-STWIDE: Relative to the Municipal Employees' Retirement System (MERS), the Municipal Police Employees' Retirement System (MPERS), and the Firefighters' Retirement System (FRS), implements the recommendations of the Funding Review Panel by providing for board membership, benefit calculation, maintaining employer contribution rates at certain amounts, and employee contribution rates

AN ACT

To amend and reenact R.S. 11:62(3) and (6), 108(B)(3)(b), (C), and (D)(introductory paragraph), 1732(15), 2213(4), 2225(A)(2)(a) and (6), and 2252(4), to enact R.S. 11:107.2 and 108(F)(3), and to repeal R.S. 11:231(A)(4) and (7) and (C)(1)(b), relative to the Firefighters' Retirement System, the Municipal Employees' Retirement System, and the Municipal Police Employees' Retirement System; to provide relative to the funding of such systems; to implement the recommendations of the Funding Review Panel; to provide for membership of the boards of trustees; to provide for the setting of employer contribution rates under certain circumstances; to provide for employee contribution rates; to provide for benefit calculation; to provide for continuation of the duties of the Funding Review Panel; to provide an effective date; and to provide for related matters.

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

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 11:62(3) and (6), 108(B)(3)(b), (C), and (D)(introductory paragraph), 1732(15), 2213(4), 2225(A)(2)(a) and (6), and 2252(4) are hereby amended and reenacted and R.S. 11:107.2 and 108(F)(3) are hereby enacted to read as follows:

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§62. Employee contribution rates established

Employee contributions to state and statewide public retirement systems shall be paid at the following rates, except as otherwise provided by law:

* * *

(3) Firefighters' Retirement System ~~- 8%.~~ :

(a) Any member whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services according to the size of the member's family unit - 8%.

(b) Any member whose earnable compensation is more than the poverty guidelines issued by the United States Department of Health and Human Services according to the size of the member's family unit:

If the total contribution for the fiscal year expressed as a percentage of payroll after applying all required tax contributions is:	The employee contribution shall be:
21.0% or below	8.0%
21.01% to 21.75%	8.25%
21.76% to 22.5%	8.5%
22.51% to 23.25%	8.75%
23.26% to 24.0%	9.0%
24.01% to 24.75%	9.25%
24.76% to 25.5%	9.5%
25.51% to 26.25%	9.75%
26.26% or above	10.0%

* * *

(6) Municipal Police Employees' Retirement System ~~- 8%.~~ :

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(a) Any member whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services according to the size of the member's family unit - 7.5%.

(b) Any member whose earnable compensation is more than the poverty guidelines issued by the United States Department of Health and Human Services according to the size of the member's family unit:

If the total contribution for the fiscal year expressed as a percentage of payroll after applying all required tax contributions is:	The employee contribution shall be:
21.0% or below	7.5%
21.01% to 21.75%	7.75%
21.76% to 22.5%	8.0%
22.51% to 23.25%	8.25%
23.26% to 24.0%	8.5%
24.01% to 24.75%	8.75%
24.76% to 25.5%	9.25%
25.51% to 26.25%	9.5%
26.26% to 27.0%	9.75%
27.01% or above	10.0%

* * *

§107.2. Employer contributions; maintaining rates; reducing rate decreases; Firefighters' Retirement System; Municipal Police Employees' Retirement System

A. The provisions of this Section shall apply to the following statewide public retirement systems or funds, hereinafter referred to in this Section as "systems":

(1) The Firefighters' Retirement System.

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(2) The Municipal Police Employees' Retirement System.

B. Notwithstanding the provisions of R.S. 11:103 and 104, in any fiscal year during which the recommended net direct employer contribution rate would otherwise be decreased for any system, the board of trustees of the system is hereby authorized to either:

(1) Maintain the previous fiscal year's net direct employer contribution rate at the time that the decrease would otherwise occur according to R.S. 11:103.

(2) Set the employer contribution rate at any point between the previous year's net direct employer contribution rate and the recommended net direct employer contribution rate that would otherwise occur pursuant to R.S. 11:103.

C. Any excess funds resulting from the board's exercise of its authority pursuant to Subsection B of this Section shall be combined with any contribution surplus, or offset by any contribution shortfall, and the resulting balance, if greater than zero, shall be applied, until exhausted, exclusively for and in the order of the following purposes:

(1) To reduce the outstanding balance of any unfunded accrued liability existing as of the end of Fiscal Year 1988-1989, if any; however, the future payments for such unfunded accrued liability shall continue to be made according to the original amortization schedule established in compliance with the requirements of Article X, Section 29(E)(3) of the Constitution of Louisiana until the outstanding balance is fully liquidated.

(2) To reduce the outstanding amortization charge base or bases with the greatest number of outstanding payments; however, the future payments on the base or bases shall continue to be made according to the original amortization schedule until the outstanding balance is fully liquidated.

D. The board's exercise of its authority pursuant to Subsection B of thisSection shall not cause the employer contribution rate to exceed fifteen percent in any fiscal year.

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§108. Funding Review Panel

* * *

B. The panel shall be composed of two committees, the advisory committee of seven members and the recommendations committee of seven members.

* * *

(3)

* * *

(b) At the first meeting in ~~Fiscal Year 2010-2011, and at the first meeting in~~ each fiscal year ~~thereafter,~~ the panel shall elect from the members of the recommendations committee a chairman and vice chairman of the panel. If the state treasurer is elected chairman or vice chairman, his designee shall serve in such office at any meeting of the panel at which he represents the treasurer.

* * *

C.(1) The panel shall meet not less than monthly <u>if practical</u>. The treasurer shall call the first meeting of the panel on or before August 31, 2005, and shall preside until the panel elects a chairman and vice chairman.

(2) The treasurer shall call the first meeting for Fiscal Year 2010-2011 on or before August 31, 2010. The treasurer or his designee shall preside until the panel elects a chairman and vice chairman.

<u>(3) The treasurer shall call the first meeting in each fiscal year on or before August thirty-first. The treasurer or his designee shall preside until the panel elects a chairman and vice chairman.</u>

D. The panel shall undertake a <u>continuous and</u> comprehensive review of the actuarial funding and benefit structure of the Firefighters' Retirement System, the Municipal Employees' Retirement System, and the Municipal Police Employees' Retirement System, including but not limited to the following:

* * *

F.

* * *

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(3) On or before February first, in even-numbered years, and on or before March first, in odd-numbered years, the panel shall submit to the House and Senate committees on retirement and to the legislative auditor a report containing its recommendations for increasing the actuarial soundness of each system and for providing an affordable benefit for members of each system.

* * *

§1732. Definitions

The following words and phrases, as used in this Chapter, unless a different meaning is plainly required by the context, shall have the following meaning:

* * *

(15)(a) "Final compensation", for a member whose first employment making him eligible for membership in the system began on or before June 30, 2006, means the average monthly earnings during the highest thirty-six consecutive months or joined months if service was interrupted. The earnings to be considered for the thirteenth through the twenty-fourth months shall not exceed one hundred ~~twenty-five~~ fifteen percent of the earnings for the first through the twelfth months. The earnings to be considered for the final twelve months shall not exceed one hundred ~~twenty-five~~ fifteen percent of the earnings of the thirteenth through the twenty-fourth months.

(b) "Final compensation", for a member whose first employment making him eligible for membership in the system began on or after July 1, 2006, means the average monthly earnings during the highest sixty consecutive months or joined months if service was interrupted. The earnings to be considered for the thirteenth through the twenty-fourth months shall not exceed one hundred ~~twenty-five~~ fifteen percent of the earnings for the first through the twelfth months. The earnings to be considered for the twenty-fifth through the thirty-sixth month shall not exceed one hundred ~~twenty-five~~ fifteen percent of the earnings for the thirteenth through the twenty-fourth month. The earnings to be considered for the thirty-seventh through the forty-eighth month shall not exceed one hundred ~~twenty-five~~ fifteen percent of

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the earnings for the twenty-fifth through the thirty-sixth month. The earnings to be considered for the final twelve months shall not exceed one hundred ~~twenty-five~~ fifteen percent of the earnings of the thirty-seventh through the forty-eighth month.

* * *

§2213. Definitions

The following words and phrases, as used in this Subpart, unless a different meaning is plainly required by context, shall have the following meaning:

* * *

(4) "Average final compensation" shall mean the average annual earned compensation of an employee for any period of thirty-six successive or joined months of service as an employee during which the said earned compensation was the highest. In case of interruption of employment, the thirty-six month period shall be computed by joining employment periods immediately preceding and succeeding the interruption. The earnings to be considered for the thirteenth through the twenty-fourth months shall not exceed one hundred fifteen percent of the earnings for the first through the twelfth months. The earnings to be considered for the final twelve months shall not exceed one hundred fifteen percent of the earnings of the thirteenth through the twenty-fourth months.

* * *

§2225. Administration

A. Board of trustees:

* * *

(2)(a) The board shall consist of ~~eleven~~ fifteen trustees as follows: Seven members, three of whom shall not be chiefs of police but shall be active contributing members of the system with ten or more years of creditable service, and four of whom shall be active contributing chiefs of police, with four or more years of creditable service provided that no municipal police department shall have more than one member and one chief of police on the board at the same time~~, and two of whom shall be~~; Two regular retirees of the system, one retired from Chiefs District I and

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one retired from Chiefs District II as those districts are comprised in Subparagraphs (b) and (c) of this ~~Paragraph,~~ Paragraph; ~~and~~ Four exofficio trustees to include the chairman of the House of Representatives Committee on Retirement or his designee, ~~and~~ the chairman of the Senate Committee on Retirement or his designee, the commissioner of administration or his designee, and the state treasurer or his designee; and two mayors appointed by the Louisiana Municipal Association from municipalities having police departments participating in the system, to serve at the pleasure of the Louisiana Municipal Association. The retired trustees shall be elected by the retired members of the system for a term of five years with the first retired trustees' terms to commence on July 1, 1997. Whenever the term of a board member expires, the term of the newly elected board member shall be for a term of five years. The director of the retirement system shall be selected by the ~~eleven members of the board~~ board of trustees. Election of members shall be under such rules and regulations as the board of trustees shall establish.

* * *

(6) Each trustee shall be entitled to one vote on the board. ~~Six~~ Eight trustees shall constitute a quorum for any board meeting, and a majority vote of the trustees present shall be necessary for a decision by the trustees at any meeting of the board.

* * *

§2252. Definitions

The following words and phrases, as used in this Chapter, unless a different meaning is plainly required by context, shall have the following meaning:

* * *

(4) "Average final compensation" shall mean the average annual earned compensation of an employee for any period of thirty-six successive or joined months of service as an employee during which the said earned compensation was the highest. In case of interruption of employment, the thirty-six month period shall be computed by joining employment periods immediately preceding and succeeding the interruption. The earnings to be considered for the thirteenth through the

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twenty-fourth months shall not exceed one hundred fifteen percent of the earnings for the first through the twelfth months. The earnings to be considered for the final twelve months shall not exceed one hundred fifteen percent of the earnings of the thirteenth through the twenty-fourth months.

* * *

Section 2. R.S. 11:231(A)(4) and (7) and (C)(1)(b) are hereby repealed in their entirety.

Section 3. The provisions of R.S. 11:1732(15), 2213(4), and 2252(4) as amended by this Act shall not cause the average compensation of any member retiring on or after the effective date of this Act to be less than such member's average compensation as it existed before the effective date of this Act.

Section 4. 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.

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)]

Pearson HB No. 332

Abstract: Relative to the Firefighters' Retirement System (FRS), the Municipal Employees' Retirement System (MERS), and the Municipal Police Employees' Retirement System (MPERS), implements the recommendations of the Funding Review Panel (FRP) by providing for board membership, employer contributions, employee contributions, changes to "anti-spiking" provisions, and providing for the continuation of the duties of the FRP.

Present law (R.S. 11:108) establishes the FRP to study funding and benefit provisions of FRS, MERS, and MPERS, including but not limited to retirement eligibility, benefit calculation, contributions, actuarial assumptions, and cost-of-living adjustment criteria, and to report findings and recommendations to the House and Senate committees on retirement and to the legislative auditor on or before March 15, 2011.

Proposed law provides that the FRP shall meet continuously in fulfillment of its duties and shall issue reports to the House and Senate committees on retirement and to the legislative auditor annually.

Board Membership (MPERS)

Present law (R.S. 11:2225(A)) provides for 11 members of the MPERS board of trustees as follows:

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(1) Three active members who are not chiefs of police.

(2) Four active members who are chiefs of police.

(3 Two retirees.

(4) The chairman of the House Committee on Retirement.

(5) The chairman of the Senate Committee on Retirement.

Proposed law provides for four additional members on the MPERS board of trustees:

(1) The commissioner of administration.

(2) The state treasurer.

(3) Two mayors appointed by the Louisiana Municipal Association (LMA)

Employer Contributions (FRS and MPERS)

Proposed law (R.S. 11:107.2) permits the FRS and MPERS boards, in any year in which the recommended net direct employer contribution rate would decrease from the previous fiscal year, to maintain the previous year's employer contribution rate or to set the rate for the upcoming fiscal year somewhere between the previous year's rate and the recommended rate.

Proposed law further provides that any excess funds resulting from the FRS and MPERS boards exercise of authority pursuant to proposed law may be used for the following purposes and in the following order:

(1) To reduce the outstanding balance of any unfunded accrued liability (UAL) existing as of the end of FY 1988-1989, if any.

(2) To reduce the outstanding UAL amortization charge base or bases with the greatest number of outstanding payments.

Employee Contributions (FRS and MPERS)

Present law (R.S. 11:62) requires employee contributions of 8% for members of FRS and 7.5% for members of MPERS.

Proposed law retains the employee contribution rates in present law for members of FRS and MPERS whose earned compensation is below the poverty level as provided by the U.S. Dept. of Health and Human Services. For members whose earned compensation is above the poverty level, the employee contribution shall fluctuate depending on the combined system rate of employer and employee contributions according to the following schedule:

FRS

If the total contribution for the fiscal year expressed as a percentage of payroll is:	The employee rate shall be:
21.0% or below	8.0%
21.01% to 21.75%	8.25%
21.76% to 22.5%	8.5%
22.51% to 23.25%	8.75%
23.26% to 24.0%	9.0%
24.01% to 24.75%	9.25%

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24.76% to 25.5%	9.5%
25.51% to 26.25%	9.75%
26.26% or above	10.0%

MPERS

If the total contribution for the fiscal year expressed as a percentage of payroll is:	The employee rate shall be:
21.0% or below	7.5%
21.01% to 21.75%	7.75%
21.76% to 22.5%	8.0%
22.51% to 23.25%	8.25%
23.26% to 24.0%	8.5%
24.01% to 24.75%	8.75%
24.76% to 25.5%	9.25%
25.51% to 26.25%	9.5%
26.26% to 27.0%	9.75%
27.01% or above	10.0%

Anti-spiking (FRS, MERS, and MPERS)

Present law (R.S. 11:1732(15)), relative to MERS, provides that, for purposes of retirement benefit computation, average compensation of a member hired on or before June 30, 2006, shall be based on the 36 highest successive months of employment or on the highest 36 successive joined months of employment where interruption of service occurred. The earnings to be considered for the first, second, and last 12-month period shall not increase by more than 25% (anti-spiking provisions) over the previous 12-month period.

Present law, relative to MERS provides that, for any member hired on or after July 1, 2006, average compensation shall be calculated over a 60-month period, and the anti-spiking provisions prohibit a year-over-year increase in earnings of more than 25% each year of such period.

Present law (R.S. 11:231 and 2213(4)), relative to MPERS, provides that, for purposes of retirement benefit computation, average compensation of a member shall be based on the 36 highest successive months of employment or on the highest 36 successive joined months of employment where interruption of service occurred. The earnings to be considered for the first, second, and last 12-month period shall not increase by more than 25% (anti-spiking provisions) over the previous 12-month period.

Present law (R.S. 11:2252(4)), relative to FRS, provides that, for purposes of retirement benefit computation, average compensation of a member shall be based on the 36 highest successive months of employment or on the highest 36 successive joined months of employment where interruption of service occurred. No anti-spiking provisions apply.

Proposed law retains present law with regard to calculating average compensation, but imposes 15% anti-spiking in calculating the benefits for members of FRS, MERS, and MPERS.

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.

Effective July 1, 2011.

(Amends R.S. 11:62(3) and (6), 108(B)(3)(b), (C), and (D)(intro. para.), 1732(15), 2213(4),

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2225(A)(2)(a) and (6), and 2252(4); Adds R.S. 11:107.2 and 108(F)(3); Repeals R.S. 11:231(A)(4) and (7) and (C)(1)(b))

Summary of Amendments Adopted by House

Committee Amendments Proposed by House Committee on Retirement to the original bill.

1. Adds the membership of the MPERS board of trustees two mayors appointed by the Louisiana Municipal Association.

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