DIGEST

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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:

(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%
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), 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.