DIGEST

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Pearson HB No. 530

Abstract: Relative to the La. State Employees' Retirement System (LASERS) and the Teachers' Retirement System of La. (TRSL), increases employee contributions and changes from a three-year to a five-year Final Average Compensation (FAC) for state employees and higher education employees. 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 and TRSL:

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 Dec. 31, 2010; and 13% if first employed on or after Jan. 1, 2011.

(3) LASERS: Legislators - 11.5%.

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

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

(6) LASERS: clerk of the House, scretary of the Senate, and sergeant at arms of the House and Senate - 9.5% if first employed on or before Dec.31, 2010; and 8% if first employed on or after Jan. 1, 2011.

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

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

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

(10) LASERS: Hazardous duty personnel first employed on or after Jan. 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.

Proposed law increases employee contributions for LASERS and TRSL members employed in higher education by an additional 1% beginning July 1, 2012, and an additional 1% beginning on July 1, 2013. Such increases shall not apply to TRSL members who participate in the Optional Retirement Plan (ORP).

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. Further provides that employee contributions shall be applied to the total normal cost for a particular fiscal year to reduce the employer portion of the normal cost.

Proposed law provides that the employee rate increase in proposed law shall not be applied toward reducing the employer portion of the normal cost.

Proposed law provides that the dollar amount of the employee contribution increase pursuant to proposed law shall be applied toward reducing the system's Unfunded Accrued Liability (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) and 701(5)), relative to LASERS and TRSL provides varying periods of FAC for members of those systems ranging from three to five years. FAC periods for LASERS and TRSL are as follows:

(1) LASERS: Rank-and-file members hired on or before June 30, 2006, have a three-year FAC. Rank-and-file members hired after such date have a five-year FAC.

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

(3) LASERS: Certain hazardous duty groups hired on or before Dec. 31, 2010, have a three-year FAC. Such members hired on or after January 1, 2011, have a five-year FAC.

(4) TRSL: Members hired on of before Dec. 31, 2010, have a three-year FAC. Members hired on or after Jan. 1, 2011, have a five-year FAC.

Proposed law provides that every member of LASERS and higher education employees in TRSL shall have a five-year FAC.

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.

Proposed law provides that the Public Retirement Systems' Actuarial Committee (PRSAC) shall meet as soon as practicable to adopt revised valuations and employer contribution rates for LASERS and TRSL.

Proposed law provides that in the event proposed law is declared by a court to be unconstitutional as applied to vested members of LASERS and TRSL, proposed law shall only apply to non-vested members.

Effective June 30, 2011. However, if the Act originating as HB No. 479 of 2011 R.S. is enacted, proposed law shall be null, void, and of no effect.

(Amends R.S. 11:102(B)(2)(b)(ii), (3)(a), 403(5), 450(B), 531(A)(1)(c), 612(1), 701(5)(b), through (e), and 927(A); Adds R.S. 11:63 and 701(5)(f))

Summary of Amendments Adopted by House

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

1. Removes proposed changes to the State Police Pension and Retirement System.

2. Changes the employee contribution increase for members to whom proposed law applies from 1.5% on the first $50,000 of earnings and 3% on earnings over $50,000 to a flat 1% increase beginning July 1, 2012, and an additional 1% increase beginning July 1, 2013.

3. Provides that instead of being applied to reducing employer contributions derived from State General Funds, the increased employee contributions implemented by proposed law shall be applied to LASERS' and TRSL's UAL.

4. Provides that employee contribution increases implemented by proposed law shall not apply to ORP participants in TRSL.

5. Retains "anti-spiking" provisions (percentage limitations on a member's FAC period) contained in present law rather than lowering the allowable increases.

6. Provides that if proposed law is declared by a court to be unconstitutional as applied to vested members of LASERS and TRSL, proposed law shall only apply to non-vested members.

7. Changes the effective date of proposed law from July 1, 2011, to June 30, 2011, and provides further that if the Act originating as HB No. 479 of 2011 R.S. is enacted, proposed law shall be null, void, and of no effect.