(KEYWORD, SUMMARY, AND DIGEST as amended by Senate committee amendments)

RETIREMENT/LOCAL. Relative to the Harbor Police Retirement System for the port of New Orleans, makes comprehensive changes to the provisions of such system.

DIGEST

Administration of HPRS (R.S. 11:3688)

Present law provides generally for an HPRS board of trustees. Provides that the board shall be responsible for the operation of HPRS, and may employ or appoint certain professionals to carry out such responsibility.

Proposed law retains present law but provides that all service providers for HPRS including CPAs, actuaries, attorneys, investment advisors, and plan administrators shall be chosen jointly by the board of trustees and the Board of Commissioners of the Port of New Orleans.

Proposed law removes references to a medical board responsible for certifying disability applications and instead allows the board of trustees to hire a firm to provide medical advice to the board of trustees.

Method of Financing (Employee and Employer Contributions, etc.) (R.S. 11:3690)

Present law provides that the employee contribution for members of HPRS shall be 7% of compensation.

Proposed law changes the employee contribution to 9% of compensation.

Present law provides for calculations of normal cost and accrued liability for the purposes of determining the employer contribution rate.

Proposed law makes various technical and administrative changes in making such calculations.

Present law sets a cap on the employer contribution at 13% of payroll.

Proposed law changes the employer cap to 20% of payroll.

Errors and Omissions (R.S. 11:3696)

Proposed law provides that if any calculation error was made, which resulted in a member or beneficiary receiving the incorrect benefit amount, the HPRS board shall correct such mistake in a manner that is actuarially equivalent to the benefit that should have received. Further provides that the corrected benefit shall be paid prospectively. Further provides that the collection of overpayments or underpayments may be waived by the system if:

(1) It is deemed not to be cost effective to the system to locate a beneficiary or the estate of a member; or

(2) It is deemed by the board to be a hardship on the member or beneficiary.

Benefit Changes and Errors (R.S. 11:3698)

Proposed law provides that statutory benefit changes shall be prospective only, unless otherwise specified by the legislation enacting the changes.

Proposed law provides that should any errors in benefit calculations be discovered through an audit conducted in 2011, the errors shall be addressed pursuant to Present law and proposed law, prospectively, and in the following manner:

(1) For members hired on 9/23/70, 6/21/79, 7/9/57, 1/3/59, and 6/28/61, whose retirement eligibility erroneously included unused sick leave toward service credit, the use of such leave shall be allowed.

(2) For members hired on 8/29/1990 and 4/4/94, who were over the permissible age for membership in HPRS, such members shall continue to be allowed as members of HPRS.

(3) For members hired on 7/1/47, 11/8/56, 7/9/57, 1/3/59, 6/28/61, 2/20/67, 7/3/68, 12/2/68, 1/2/69, 3/25/69, 4/21/69, 6/21/69, 10/4/69, 11/15/69, 9/23/70, and others, who were granted military service credit without paying for such credit, the use of such credit shall be allowed.

(4) Act 484 of the 1985 Regular Legislative Session provided for an increase in accrual rate from 3% to 3.33%. The Act provided that the increase shall be effective upon the board's approval. The board never approved such increase. Proposed law provides that such increase shall be applied as though properly adopted by the board of trustees for all members employed on July 1, 2011, and all persons retired as of such date.

(5) The increase to 3.33% and an increase in 1975 from 2.5% to 3% were implemented without guidance as to whether the increases were for future *and* past service. Proposed law provides that the increases shall be applicable to all service.

(6) Any cumulative net overpayment error shall be forgiven and any cumulative net underpayment error shall be paid entirely in a lump sum.

(7) For members hired on 3/27/68, 7/3/68, 12/3/68, 6/28/61, 3/30/71, 4/5/67, 3/25/60, 9/29/66, 9/23/70, 12/2/68, 7/28/69, 7/8/71, 6/21/69, 11/8/56, and 10/4/69 who transferred into HPRS at an accrual rate of 2.5% and were granted an accrual rate of 3% or 3.33% shall hire percentage shall be allowed.

Proposed law the adjustments permitted under proposed law shall cease to be effective on July 1, 2012.

(Amends R.S. 11:3688(A)(8), (9), (10), and (11), (B), (C), and (D), 3690, adds R.S. 11:3688(A)(12) and (E), 3696, repeals R.S. 11:3694)

Summary of Amendments Adopted by House

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

1. Removes provision authorizing the purchase of "air time" by members, which is the purchase of service credit for which there is no corresponding public service.

2. Removes provision authorizing the purchase of military service credit by members except as already provided in present law.

3. With regard to survivor benefits when a member dies in the line of duty, removes proposed law calculation formula whereby the surviving spouse receives the greater of 60% of the members FAC or the amount payable under retirement option 2 and restores present law calculation formula whereby the surviving spouse receives 60% of the member's FAC.

4. Clarifies that the excess investment earnings to be used by the board in determining whether to grant a COLA shall be the investment return on the assets of the system rather than the investment return on the reserve allocated to retirees.

5. Removes provisions of proposed law for calculation of disability benefits for injuries not sustained in the line of duty: 40% of FAC, or the member's regular retirement benefit if he has 12 years of service and reaches retirement age.

6. Removes certain retirement options from proposed law relating to joint and survivor annuities for handicapped children.

7. Removes provision of proposed law allowing a trust to be designated as a beneficiary of retirement benefits.

8. Removes references to a medical board in present law, which is responsible for certifying disability applications and instead allows the board of trustees to hire a firm to provide medical advice to the board of trustees.

9. Removes provisions of proposed law allowing the board of trustees of the retirement system to accept an annuity from the port of commissioners (the employer) to pay for unfunded liabilities.

10. Adds several individuals to the list of calculation errors being rectified in proposed law.

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Retirement to the reengrossed bill.

1. Deletes all provisions of the bill except the following:

   a) increasing contributions.

   b) authority and direction to correct errors and omissions.