HOUSE SUMMARY OF SENATE AMENDMENTS

House Bill No. 571 by Representative Robideaux

RETIREMENT/STATE SYSTEMS: Relative to state retirement systems, makes changes to provisions affected by Act No. 992 of the 2010 R.S.

Synopsis of Senate Amendments

1. Relative to the calculation of post-Deferred Retirement Option Plan (DROP) supplemental benefits, adds technical changes for LASERS and TRSL specifying that in order to have post-DROP supplemental benefit calculated on the Final Average Compensation (FAC) applicable to post-DROP employment, a DROP participant must continue post-DROP employment for a period of time equal to or greater than his FAC period.

Digest of Bill as Finally Passed by Senate

Present law, pursuant to Act No. 992 of the 2010 R.S., generally made sweeping changes to the benefit structure of the four state retirement systems for persons whose first employment making them eligible for membership in any state retirement system occurs on or after Jan. 1, 2011, in the following respects:

(1) Employee contribution rates.

(2) Final average compensation.

(3) Benefit accrual rates.

(4) Retirement eligibility.

(5) Disability benefits.

(6) Survivor benefits.

Proposed law makes certain technical, remedial, and substantive changes to provisions of the law affected by Act No. 992 of the 2010 R.S.

SURVIVOR BENEFITS

Present law, relative to LASERS, LSERS, and STPOL, for members whose first employment making them eligible for membership in any of the state retirement systems occurs on or after Jan. 1, 2011, provides that a spouse with children shall receive 50% of the amount that the member's normal retirement benefit would have been. Additionally, any minor or handicapped children shall each receive 50% of what the spouse would be entitled to under present law. Provides further that the child's benefit shall cease upon his having reached the age of majority.

Proposed law provides that the survivor benefit payable to mentally or physically handicapped children shall not cease upon reaching the age of majority, but shall continue past the age of majority, subject to certain requirements.

DISABILITY BENEFITS

Present law (R.S. 11:203(B)(1)), relative to TRSL, requires a member hired on or before Dec. 31, 2010, applying for disability benefits to have five years of service credit in order to qualify for such benefits. Provides that credit earned on workers' compensation shall not be

used toward meeting the five years of service.

Proposed law retains present law but removes prohibition and, thus, provides that credit earned on workers' compensation may be used toward meeting the five years of service required to qualify for disability benefits.

DEFERRED RETIREMENT OPTION PLAN (DROP)

Present law (R.S. 11:786), relative to TRSL members, allows for DROP participation if the member has:

(1) 30 years of service at any age.

(2) 25 years of service at age 55.

(3) 20 years of service at age 65.

(4) 10 years of service at age 60.

Proposed law retains present law with regard to TRSL members hired on or before Dec. 31, 2010. With regard to members hired on or after Jan. 1, 2011, allows for DROP participation if the member has five years of service credit at age 60 to conform with the retirement eligibility provisions provided by Act No. 992 of the 2010 R.S. for such members.

Present law (R.S. 11:1152), relative to LSERS members, allows for DROP participation if the member has:

(1) 30 years of service at any age.

(2) 25 years of service at age 55.

(3) 20 years of service at age 65.

(4) 10 years of service at age 60.

Proposed law provides that a LSERS member shall be eligible for DROP participation upon reaching regular retirement eligibility.

Present law (R.S. 11:450(D) and 789(D)), relative to LASERS and TRSL provides that for DROP participants who continue employment after DROP for less than 36 months, such individuals shall receive a supplemental benefit based on their pre-DROP FAC. For DROP participants who continue employment after DROP for more that 36 months, the supplemental benefit shall be based on the FAC during the post-DROP employment.

Proposed law adds technical changes for LASERS and TRSL specifying that in order to have his post-DROP supplemental benefit calculated on the FAC applicable to post-DROP employment, a DROP participant must continue post-DROP employment for a period of time equal to or greater than his FAC period.

INITIAL LUMP-SUM BENEFIT (ILSB) OPTION

Present law (R.S. 11:783(A)(3)) provides for a payment option at retirement known as the ILSB, which allows a member to receive a lump-sum benefit upon retirement subject to an actuarial reduction in monthly benefits. Provides that a member may select the ILSB if the member has:

(1) 30 years of service at any age.

(2) 25 years of service at age 55.

(3) 10 years of service at age 60.

Proposed law retains present law with regard to TRSL members hired on or before Dec. 31, 2010. With regard to members hired on or after Jan. 1, 2011, allows for ILSB participation if the member has five years of service credit at age 60 to conform with the retirement eligibility provisions provided by Act No. 992 of the 2010 R.S. for such members.

HAZARDOUS DUTY SERVICES PLAN (LASERS)

Membership

Present law (R.S. 11:611-621), relative to LASERS, generally creates the Hazardous Duty Services Plan (HDSP) within LASERS for certain law enforcement personnel whose first employment making them eligible for membership in any state retirement system occurs on or after Jan. 1, 2011, who are members of LASERS, and provides that members of existing hazardous duty plans may retain membership in those plans or become members of the HDSP subject to certain conditions.

Proposed law prohibits anyone having participated in LASERS' Deferred Retirement Option Plan (DROP), as well as certain rehired retirees from becoming members of the HDSP.

Retirement Eligibility

Present law (R.S. 11:614), pursuant to the provisions of the HDSP, provides that any hazardous duty personnel whose first employment making them eligible for membership in any state retirement system hired on or after Jan. 1, 2011, shall be eligible to retire with:

(1) 12 years of service at age 55.

(2) 25 years of service at any age.

(3) 20 years of service at any age, but subject to an actuarial reduction of benefits.

Present law provides a 3.33% accrual rate for calculation of retirement benefits under the HDSP.

Present law (R.S. 11:441) also provides that certain rank-and-file members of LASERS shall be eligible to retire with:

(1) Five years of service at age 60.

(2) 20 years of service at any age, but subject to an actuarial reduction of benefits.

Present law (R.S. 11:444) provides for a 2.5% accrual rate for the calculation of retirement benefits for rank-and-file members of LASERS.

Proposed law allows any member of the HDSP, if he does not meet retirement eligibility under the HDSP, to retire under rank-and-file provisions with five years of service at age 60. Provides that such member's retirement benefit will be calculated using a 2.5% accrual rate.

Retirement Options

Present law (R.S. 11:616) allows members of the HDSP to enter DROP upon reaching retirement eligibility.

Proposed law additionally allows members of the HDSP to select the Initial Benefit Option (IBO), which allows a member to receive a lump-sum benefit upon retirement subject to an actuarial reduction in monthly benefits. Further clarifies that HDSP may select an optional Cost-of-Living Adjustment (COLA), available to members of this system and others, which

provides a lifetime COLA subject to an actuarial reduction in monthly benefits.

Survivor Benefits for DROP Participants

Present law (R.S. 11:618), relative to the HDSP, provides for survivor benefits for the surviving spouse and children of a member who dies in the line of duty, in the amount of 80% of the member's Final Average Compensation (FAC).

Present law (R.S. 11:621), relative to the HDSP, also provides a benefit for the surviving spouse and children of a retiree who dies. A surviving spouse shall receive 75% of the member's retirement benefit. If no spouse, surviving children shall each receive a benefit under present law (R.S. 11:471.1(C)) (25% of the member's benefit for each child).

Proposed law, clarifies that the 80% FAC in-the-line-of-duty survivor benefit of present law (R.S. 11:618) shall not apply to DROP participants or certain rehired retirees. Rather, the provisions of present law (R.S. 11:621) shall apply.

Transfer Provisions

Present law (R.S. 11:620) generally requires hazardous duty personnel in LASERS hired on or after Jan. 1, 2011, to become members of the HDSP. Present law (R.S. 11:620(B)(1) and (2)) also allows a member of LASERS, hired on or before Dec. 31, 2010, to become a member of the HDSP under the following options:

(1) Maintaining prior service credit in his previous plan under the provisions of that plan but accruing service and benefits in the HDSP going forward.

(2) Electing an internal actuarial transfer within LASERS, in which the member transfers his funds from the previous plan into the HDSP, but maintains the accrual rate of the previous plan. Such member may pay to upgrade his prior service to the 3.33% accrual rate of the HDSP.

Proposed law allows members of other state and statewide retirement systems, who would otherwise be eligible for membership in the HDSP, except they were hired on or before Dec. 31, 2010, to utilize the above transfer provisions to join the HDSP.

Proposed law provides that if any member chooses (1) above (after proposed law becomes effective) and it results in an actuarial cost to the system, the member shall pay such cost to the system upon his retirement.

Proposed law further provides that if any member chooses (2) above and elects to upgrade his prior service to the 3.33% accrual rate of the HDSP, he shall upgrade all of such service.

Present law (R.S. 11:620(C)) allows a member of another plan or system, whose employment would qualify him for membership in the HDSP if it were on or after Jan. 1, 2011, to remain a member of such plan or system.

Proposed law further clarifies that if a member of another hazardous duty plan within LASERS chooses to remain in that plan his service credit going forward will be considered having been earned in that plan.

LSERS BENEFIT PROVISIONS

Present law (R.S. 11:62(4)) establishes the employee contribution rate for members of LSERS. Provides that members hired on or before Dec. 31, 2010, shall pay 7.5%, and that members hired on or after Jan. 1, 2011, shall pay 8%.

Proposed law provides instead that members hired on or before June 30, 2010, shall pay 7.5%, and members hired on or after July 1, 2010, shall pay 8%.

Present law (R.S. 11:1002(6)) provides that average compensation for a member hired on or after July 1, 2006, but on or before Dec. 31, 2010, shall be calculated over five years. Furthermore, anti-spiking provisions prohibit a year-over-year increase in earnings of more than 10% each year of such period. Present law further provides that for members hired on or after Jan. 1, 2011, the anti-spiking provisions relative to such persons prohibit a year-over-year increase in earnings of more than 15% each year of such period.

Proposed law provides instead that members hired on or after July 1, 2006, but on or before June 30, 2010, shall have a five-year average compensation period and a 10% anti-spiking provision and that members hired on or after July 1, 2010, shall have a five-year average compensation period and a 15% anti-spiking provision.

Present law provides for retirement eligibility for members of LSERS. Members hired on or before Dec. 31, 2010, may retire: (1) at the age of 60 with 10 years of service credit; (2) at the age of 55 with 25 years of service credit; (3) at any age with 30 years of service credit; and (4) at any age with 20 years of service credit, but subject to an actuarial reduction in benefits. Proposed law provides instead that these eligibility provisions shall apply to members hired on or before June 30, 2010.

Present law provides that members hired on or after Jan. 1, 2011, may retire: (1) at age 60 with five years of service credit; and (2) at any age with 20 years of service credit, but subject to an actuarial reduction of benefits. Proposed law provides instead that these eligibility provisions shall apply to members hired on or before July 1, 2010.

Present law (R.S. 11:1144(B)), provides for accrual rates of 2.5%, 3%, or 3-1/3%, depending on the member's retirement date, for members hired on or before Dec. 31, 2010. Proposed law provides instead that these accrual rates shall apply to members hired on or before June 30, 2010.

Present law (R.S. 11:1144(B)(4)) provides that members whose first employment making them eligible for membership in any state retirement system occurs on or after Jan. 1, 2011, shall receive an accrual rate of 2.5%. Proposed law provides instead that the 2.5% accrual rate shall apply to members hired on or after July 1, 2010.

Present law (R.S. 11:1147(C)(2)(a)) provides for a disability benefit accrual rate of 3% for members hired on or before Dec. 31, 2010, and a 2.5% accrual rate for members hired on or after Jan. 1, 2011. Proposed law provides instead for a 3% disability accrual rate for members hired on or before June 30, 2010, and a 2.5% accrual rate for members hired on or after July 1, 2011.

Present law provides that, for members hired on or before Dec. 31, 2010, upon the death of a member not yet retired, a surviving spouse with children shall receive 75% of FAC, 1/3 of which shall be allocated to the spouse and 2/3 to be allocated to the children. Children with no surviving spouse shall receive 75% of FAC. A spouse with no child shall receive 50% of FAC. Proposed law provides that such provisions shall apply to members hired on or before June 30, 2010.

Present law, for members hired on or after Jan. 1, 2011, provides that a spouse with children shall receive 50% of the amount that the member's normal retirement benefit would have been. Additionally, any children shall each receive 50% of what the spouse would be entitled to under present law. A spouse with no children shall receive an actuarially reduced benefit. Proposed law provides instead that such provisions shall apply to members hired on or after July 1, 2010.

Proposed law provides that the cost of proposed law, if any, shall be funded with additional employer contributions in compliance with Const. Art. X, §29(F).

Effective July 1, 2011.

(Amends R.S. 11:62(4), 203(B)(1), 450(D)(3) and (4)), (471.1(C), 613, 614, 616, 620(A), (B), (C), and (D), 621(B) and (C)(1), 783(A)(3)(a), 786(A), 789(D)(3) and (4), 1002(6)(b) and (c), 1141(A) and (C)(1)(a), 1144(B)(4), 1147(C)(2)(a)(ii) and (iii) and (b), 1151(A), 1151.1(A) and (C), 1152(A), 1323(C), and 1345.9; adds R.S. 11:618(D))