HOUSE SUMMARY OF SENATE AMENDMENTS

House Bill No. 332 by Representative Pearson

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 byproviding for board membership, benefit calculation, maintaining employ er contribution rates at certain amounts, and employee contribution rates

Synopsis of Senate Amendments

1. Relative to the employee contribution schedule provided in proposed law which fluctuates between 8% and 10% for members of FRS depending on what the combined employee and employer contribution rate is in a given fiscal year, which combined rate fluctuates between 21% and 26.26%, increases the combined rate to fluctuate between 25% and 30.26%.

2. Relative to the employee contribution schedule provided in proposed law which fluctuates between 7.5% and 10% for members of MPERS depending on what the combined employee and employer contribution rate is in a given fiscal year, which combined rate fluctuates between 21% and 26.26%, increases the combined rate to fluctuate between 25% and 31%.

3. Removes the state treasurer, or his designee, as a member of the Funding Review Panel and replaces him with the commissioner of administration, or his designee.

4. Removes provision requiring legislature to provide staffing and facilities for the Funding Review Panel. Requires FRS, MPERS, MERS, the Louisiana Municipal Association, and the Louisiana Conference of Mayors to provide staff and facilities instead.

5. Provides that limitations imposed on average compensation and anti-spiking in proposed law shall not be applied to any salary increase resulting from promotions within a civil service system.

6. Requires the Public Retirement Systems' Actuarial Committee (PRSAC) to meet as soon as practicable after the passage of proposed law to adopt a revised employer contribution rate resulting from the changes in proposed law.

7. Changes the effective date of proposed law from July 1, 2011, to June 30, 2011.

Digest of Bill as Finally Passed by Senate

Funding Review Panel

Present law (R.S. 11:108) establishes the Funding Review Panel (FRP) to study funding and benefit provisions of the Firefighters' Retirement System (FRS), the Municipal Employees' Retirement System (MERS), and the Municipal Employees' Retirement System (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.

Present law provides that the FRP shall have two committees, the advisory committee and the recommendations committee, to be composed of 7 members each for a total of 14 members.

Present law provides that the state treasurer, or his designee, shall be a member of the FRP, on the recommendations committee.

Proposed law Removes the state treasurer, or his designee, as a member of the FRP and replaces him with the commissioner of administration, or his designee.

Present law requires the systems, along with the House of Representatives, the Senate, the legislative auditor, and the legislative fiscal office to provide staff and facilities for the FRP for carrying out its duties.

Proposed law removes provision requiring legislature to provide staffing and facilities for the Funding Review Panel. Requires instead that the systems, the Louisiana Municipal Association, and the Louisiana Conference of Mayors to provide staff and facilities.

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:
25.0% or below	8.0%
25.01% to 25.75%	8.25%
25.76% to 26.5%	8.5%
26.51% to 27.25%	8.75%
27.26% to 28.0%	9.0%
28.01% to 28.75%	9.25%
28.76% to 29.5%	9.5%
29.51% to 30.25%	9.75%
30.26% 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:
25.0% or below	7.5%
25.01% to 25.75%	7.75%
25.76% to 26.5%	8.0%
26.51% to 27.25%	8.25%
27.26% to 28.0%	8.5%
28.01% to 28.75%	8.75%
28.76% to 29.5%	9.25%
29.51% to 30.25%	9.5%
30.26% to 31.0%	9.75%
31.0% 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 provides that limitations imposed on average compensation and anti-spiking in proposed law shall not be applied to any salary increase resulting from promotions within a civil service system.

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.

Proposed law requires the Public Retirement Systems' Actuarial Committee (PRSAC) to meet as soon as practicable after the passage of proposed law to adopt a revised employer contribution rate resulting from the changes in proposed law.

Effective June 30, 2011.

(Amends R.S. 11:62(3) and (6), 108(B)(1)(f) and (3), (C), (D)(intro. para.) and (E), 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))