

Proposed law would have provided for the retirement benefit calculation and funding of additional accruals for adult probation and parole officers in the primary component of the La. State Employees' Retirement System (LASERS).

Present law provides relative to LASERS. Provides, in part, for retirement of probation and parole officers employed by the Dept. of Public Safety and Corrections (DPS&C) in the office of adult services.

Present law provides for a "primary component" and a "secondary component" of LASERS for certain DPS&C employees. Provides that the secondary component applies to wardens, correctional officers, probation and parole officers, and security personnel who are employed by DPS&C and who are or who upon enrollment as employees would otherwise be members of the "regular" LASERS primary component. Provides that such persons hired on or after 1/1/02 shall be members of the secondary component. Provides for special retirement eligibility and benefit calculation for persons in the secondary component.

Present law provides that the secondary component shall not include any other members of the primary component or members of any other retirement system to which the state makes contributions. Provides that all other LASERS provisions are referred to as the primary component.

Present law provides that any employee hired before 1/1/02 to whom the provisions of the secondary component would otherwise apply may elect to become a member of the secondary component by submitting an application to the board of trustees in the same manner as members who transfer from another retirement system.

Proposed law would have retained present law.

#### Benefit Calculation

Present law provides for calculation of benefits for LASERS members, including probation and parole officers in the primary component. Provides that a LASERS member who retires effective on or after 7/1/73 shall receive a maximum retirement allowance equal to 2.5% of average compensation, for every year of creditable service.

Proposed law would have retained present law.

Present law provides for calculation of benefits for members of the secondary component. Provides that a member of the secondary component shall receive a maximum retirement allowance equal to 3-1/3% of average compensation for every year of creditable service.

Proposed law would have provided that adult probation and parole officers who were employed on or before 12/31/01, who opted to remain in the primary component pursuant to present law, and who retire or enter the Deferred Retirement Option Plan (DROP) on or after 7/1/11 shall receive a maximum retirement allowance equal to 3% of average compensation for service prior to 7/1/11, and 3-1/3% of average compensation for service on or after 7/1/11.

Present law provides for transfer from the primary component to the secondary component. Provides that an employee who transfers to the secondary component may transfer service credit from the primary component to the secondary component on an actuarial basis or may transfer the service credit at the accrual rate earned in the primary component. Provides that an employee whose transfer to the secondary component was not on an actuarial basis may pay the actuarial cost to "upgrade" his primary component service credit to the secondary component accrual rate of 3-1/3%.

Proposed law would have provided that, notwithstanding the provisions of present law, any adult probation and parole officer employed before 1/1/02 who elected to transfer from the primary component to the secondary component but who opted not to transfer his primary component service credit on an actuarial basis, who did not upgrade his service credit as permitted pursuant to present law, and who retired or entered DROP on or after 7/1/11 would receive a benefit calculated at an accrual rate pursuant to proposed law for all creditable

service in the system earned before the date the member transferred to the secondary component.

Proposed law would have provided that any member who was a probation and parole officer in the office of adult services of DPS&C employed before 1/1/02, who retired on or after 7/1/11, who transferred from the primary component to the secondary component, and who paid to have his primary component service upgraded, could have elected to be reimbursed without interest for the cost of such upgrade and to have his benefit calculated pursuant to proposed law for service earned before transfer to the secondary component. Would have provided that such reimbursement would be made exclusively with monies from the Adult Probation and Parole Officer Retirement Fund provided in present law.

Proposed law would have provided that any adult probation and parole officer to whom proposed law would have applied, who entered DROP before 7/1/11, and who continued in employment after participation in DROP would receive a supplemental benefit calculated using the 3% accrual rate for post-DROP employment before 7/1/11 and using the 3-1/3% accrual rate for post-DROP employment on or after 7/1/11.

#### Adult Probation and Parole Officer Retirement Fund

Present law provides for the "Adult Probation and Parole Officer Retirement Fund", a special fund in the state treasury. Provides that monies in the fund shall remain in the fund until the legislature provides for enhanced benefits for adult probation and parole officers who have service credit in the primary component.

Proposed law would have provided for such benefit enhancements.

Proposed law would have provided that until any actuarially accrued liability for retirement benefits for adult probation and parole officers in the office of adult services of DPS&C created pursuant to proposed law had been fully funded, the monies in the fund would be used exclusively for the purpose of providing funding for such actuarially accrued liability, for normal costs, and for reimbursement as provided in proposed law. Would have provided that after such actuarially accrued liability had been fully funded, the monies in the fund could be used by DPS&C for the costs of supervision of probationers and parolees, including funding retirement benefits for employees who are members of LASERS.

Proposed law would have provided that on Oct. 1 of each fiscal year, beginning with FY 2012-2013, the treasurer would allocate and distribute to LASERS from the fund the amount of any amortization payment and normal cost approved by the Public Retirement Systems' Actuarial Committee (PRSAC) to be paid from the fund.

Proposed law would have provided that on Oct. 1 of each fiscal year, in addition to the amount required to be allocated and distributed to LASERS from the fund to pay for the amortization payment and normal for the fiscal year, the treasurer would remit to LASERS all money in the fund in excess of \$400,000. Furthermore, on a quarterly basis, the treasurer would have been required to remit to LASERS all money in the fund in excess of \$400,000.

Proposed law would have required that any unpaid portion of an amortization payment provided for in proposed law for a particular fiscal year be paid as provided in present law.

Present law (R.S. 11:102(B)(3)(d)(v)) provides for a 30-year amortization period for changes in actuarial liability to LASERS resulting from actuarial gains and losses, changes in the method of valuing assets, changes in actuarial assumptions, and changes in actuarial accrued liability including the changes in actuarial liability resulting from adult probation and parole officers' benefits.

Present constitution (Art. X, §29(F)) requires a future benefit provision of any state retirement system that has an actuarial cost to identify a funding source sufficient to pay the cost within 10 years of the effective date of the benefit provision.

Proposed law would have required that the amount of the unfunded actuarially accrued liability, if any, resulting from the implementation of proposed law and a required amortization payment for such liability be determined by PRSAC as part of the annual adoption of the official actuarial valuation for LASERS. Would have required that such

unfunded accrued liability be amortized as a separate liability forming level dollar payments over a 10-year period. Would have provided that if the monies available from the fund created pursuant to proposed law are insufficient to pay any year's amortization payment or normal cost, then the balance of such payment shall be paid as provided in present law.

Proposed law would have provided that the additional actuarial cost, if any, of the benefit provisions contained in proposed law not funded by payment pursuant to proposed law from the fund or DPS&C shall be funded with increased employer contributions in compliance with present constitution.

Proposed law would have provided that benefits provided for pursuant to proposed law shall not be suspended, reduced, or denied unless a final, nonappealable judgment declaring proposed law unconstitutional has been rendered by a court of competent jurisdiction.

Proposed law would have provided that in the case of any conflict between the provisions of proposed law and the provisions of any other Act of the 2011 R.S. the provisions of proposed law shall supercede and control regardless of the order of passage.

Would have become effective June 30, 2011.

(Proposed to amend R.S. 11:546(C); proposed to add R.S. 11:444(A)(2)(d), 546(D), (E), and (F), and 605(D))

**VETO MESSAGE:** House Bill No. 478 by Representative Montoucet retroactively increases benefits for certain adult probation and parole officers within LASERS.

The beneficiaries of the changes in House Bill No. 478 are not asked to pay more to support these increased costs, even though adult probation and parole officers who have received similar increases in benefits were required to fund the upgrade. LASERS opposed this legislation, and The Retired State Employees Association of Louisiana has asked for a veto of the bill.

Louisiana's public pension systems impose a large burden on Louisiana taxpayers. We cannot continue to raise state retirement benefits at the expense of other critical areas like higher education and healthcare.

For this reason, I have vetoed House Bill No. 478 and hereby return it to the House.