

Regular Session, 2012

SENATE BILL NO. 47

BY SENATOR GUILLORY

RETIREMENT SYSTEMS. Provides relative to final average compensation. (6/30/12)

1 AN ACT

2 To amend and reenact R.S. 11:403(5) and 701(5)(b) through (e) and to enact R.S.
3 11:701(5)(f) and Subpart P of Part II of Chapter 4 of Subtitle I of Title 11 of the
4 Louisiana Revised Statutes of 1950, to be comprised of R.S. 11:331, relative to
5 certain members of the Louisiana State Employees' Retirement System and certain
6 postsecondary education members of the Teachers' Retirement System of Louisiana;
7 to provide with respect to benefit calculation; to provide an effective date; and to
8 provide for related matters.

9 Notice of intention to introduce this Act has been published.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 11:403(5) and 701(5)(b) through (e) are hereby amended and
12 reenacted and R.S. 11:701(5)(f) and Subpart P of Part II of Chapter 4 of Subtitle I of Title
13 11 of the Louisiana Revised Statutes of 1950, comprised of R.S. 11:331, are hereby enacted
14 to read as follows:

15 **SUBPART P. LEGISLATIVE INTENT**

16 **§331. Legislative intent; certain acts**

17 **The Legislature of Louisiana hereby declares that the intent of the**

1 **provisions of this Title that were enacted by the Act that originated as Senate**
 2 **Bill No. ___ of the 2012 Regular Session of the Legislature is to attain and**
 3 **maintain the actuarial soundness of state and statewide systems as required by**
 4 **the Constitution of Louisiana, Article X, Section 29.**

5 * * *

6 §403. Definitions

7 The following words and phrases used in this Chapter shall have the
 8 following meanings, unless a different meaning is clearly required by the context:

9 * * *

10 (5)(a)(i) "Average compensation", for ~~a member~~ **any of the following**
 11 **members** whose first employment making him eligible for membership in the
 12 system began on or before June 30, 2006, and for any person who receives an
 13 additional benefit pursuant to R.S. 11:444(A)(2)(b) or (c), ~~557, 582, or 602 or R.S.~~
 14 ~~24:36~~ whose first employment making him eligible for membership in one of the
 15 state systems occurred on or before ~~December 31, 2010~~, means the average annual
 16 earned compensation of a state employee for the thirty-six highest months of
 17 successive employment, or for the highest thirty-six successive joined months of
 18 employment where interruption of service occurred; however, average compensation
 19 for part-time employees who do not use thirty-six months of full-time employment
 20 for average compensation purposes shall be based on the base pay the part-time
 21 employee would have received had he been employed on a full-time basis.:

22 **(aa) Public safety service employees referred to as "member" or**
 23 **"members" in R.S. 11:601(B).**

24 **(bb) Peace officers employed by the Department of Public Safety and**
 25 **Corrections, office of state police, other than state troopers, as provided in R.S.**
 26 **11:444(A)(2)(b).**

27 **(cc) Personnel employed by the Department of Revenue, office of alcohol**
 28 **and tobacco control, as provided in R.S. 11:444(A)(2)(c).**

29 **(dd) Wildlife agents.**

1 **(ee) Bridge police.**

2 (ii) The earnings to be considered for the thirteenth through the
3 twenty-fourth month shall not exceed one hundred twenty-five percent of the
4 earnings of the first through the twelfth month. The earnings to be considered for the
5 final twelve months shall not exceed one hundred twenty-five percent of the earnings
6 of the thirteenth through the twenty-fourth month. Nothing in this Subparagraph,
7 however, shall change the method of determining the amount of earned
8 compensation received.

9 (b)(i) "Average compensation", for a ~~member~~ **any member not covered by**
10 **the provisions of Subparagraph (a) of this Paragraph** ~~whose first employment~~
11 ~~making him eligible for membership in the system began on or after July 1, 2006,~~
12 ~~and subject to the limitations provided in this Subparagraph,~~ means the average
13 annual earned compensation of a ~~state employee~~ **member** for the sixty highest
14 months of successive employment or for the highest sixty successive joined months
15 of employment where interruption of service occurred; however, average
16 compensation for part-time employees who do not use sixty months of full-time
17 employment for average compensation purposes shall be based on the base pay the
18 part-time employee would have received had he been employed on a full-time basis.
19 ~~This Item shall also be applicable to any judge, court officer, governor, lieutenant~~
20 ~~governor, clerk or sergeant-at-arms of the House of Representatives, secretary or~~
21 ~~sergeant-at-arms of the Senate, or state treasurer whose first employment making~~
22 ~~him eligible for membership in one of the state systems occurred on or after January~~
23 ~~1, 2011.~~

24 (ii) The earnings to be considered for persons to whom Item (i) of this
25 Subparagraph applies for the thirteenth through the twenty-fourth month shall not
26 exceed one hundred fifteen percent of the earnings of the first through the twelfth
27 month. The earnings to be considered for the twenty-fifth through the thirty-sixth
28 month shall not exceed one hundred fifteen percent of the earnings of the thirteenth
29 through the twenty-fourth month. The earnings to be considered for the

1 thirty-seventh through the forty-eighth month shall not exceed one hundred fifteen
 2 percent of the earnings of the twenty-fifth through the thirty-sixth month. The
 3 earnings for the final twelve months shall not exceed one hundred fifteen percent of
 4 the earnings of the thirty-seventh through the forty-eighth month. The limitations
 5 on the computation of average compensation contained in this Item shall not apply
 6 to any twelve-month period during which compensation increased by more than
 7 fifteen percent over the previous twelve-month period solely because of an increase
 8 in compensation by a uniform systemwide increase adopted by the state Department
 9 of Civil Service and approved by the governor or because of a pay adjustment
 10 enacted by the legislature. ~~This Item shall also be applicable to any judge, court~~
 11 ~~officer, member of the Louisiana Legislature, governor, lieutenant governor, clerk~~
 12 ~~or sergeant-at-arms of the House of Representatives, secretary or sergeant-at-arms~~
 13 ~~of the Senate, or state treasurer whose first employment making him eligible for~~
 14 ~~membership in one of the state systems occurred on or after January 1, 2011.~~

15 ~~(iii) The provisions of this Subparagraph shall not apply to any person who~~
 16 ~~receives an additional benefit pursuant to R.S. 11:444(A)(2)(b) or (c), 557, 582, or~~
 17 ~~602 or R.S. 24:36 whose first employment making him eligible for membership in~~
 18 ~~one of the state systems occurred on or after January 1, 2011.~~

19 * * *

20 §701. Definitions

21 As used in this Chapter, the following words and phrases have the meanings
 22 ascribed to them in this Section unless a different meaning is plainly required by the
 23 context:

24 * * *

25 (5)

26 * * *

27 (b) **"Average compensation", for any member who is an academic or**
 28 **administrative employee of a public institution of higher education, or who is**
 29 **an employee of the Board of Regents, the Board of Supervisors for the**

1 University of Louisiana System, the Board of Supervisors of Louisiana State
2 University and Agricultural and Mechanical College, or the Board of
3 Supervisors of Southern University and Agricultural and Mechanical College,
4 or their successors, or any other constitutionally established board which
5 manages institutions of postsecondary education, notwithstanding any provision
6 of Subparagraph (a) of this Paragraph, means his average earnable
7 compensation for the sixty highest months of successive employment or for the
8 highest sixty successive joined months of employment where interruption of
9 service occurred. The computation of such average compensation shall be in
10 accordance with the following guidelines:

11 (i) The amount for the first through the twelfth month shall not exceed
12 the compensation for the immediately preceding twelve months by more than
13 fifteen percent.

14 (ii) The amount for the thirteenth through the twenty-fourth month
15 shall not exceed the lesser of the maximum allowable compensation amount or
16 the actual compensation amount for the first through twelfth month by more
17 than fifteen percent.

18 (iii) The amount for the twenty-fifth through the thirty-sixth month
19 shall not exceed the lesser of the maximum allowable compensation amount or
20 the actual compensation amount for the thirteenth through twenty-fourth
21 month by more than fifteen percent.

22 (iv) The amount for the thirty-seventh through the forty-eighth month
23 shall not exceed the lesser of the maximum allowable compensation amount or
24 the actual compensation amount for the twenty-fifth through the thirty-sixth
25 month by more than fifteen percent.

26 (v) The amount for the final twelve months shall not exceed the lesser
27 of the maximum allowable compensation amount or the actual compensation
28 amount for the thirty-seventh through the forty-eighth month by more than
29 fifteen percent.

1 (c) The thirty-six or sixty months used for average compensation, as the case
2 may be, cannot cover a period when the member receives more than three years or
3 five years of service credit respectively.

4 ~~(c)~~ (d)(i) The limitations on the computation of average compensation in this
5 Paragraph shall not apply to any of the twelve-month periods where compensation
6 increased by more than the amount allowable in ~~Subparagraph (a)~~ **Subparagraphs**
7 **(a) and (b)** of this Paragraph over the previous twelve-month period solely because
8 of an increase in compensation by legislative ~~act~~ **Act**, by city/parish systemwide
9 salary increase, or by a systemwide increase at a college or university.

10 (ii) Any active member or retiree whose average compensation includes or
11 would include earnable compensation received between June 30, 1995, and June 30,
12 1997, as the result of a legislative ~~act~~ **Act**, a city/parish systemwide salary increase,
13 or a systemwide increase at a college or university shall have his average
14 compensation calculated without regard to the limitations on the computation of
15 average compensation imposed in this Paragraph for that period. The provisions of
16 this Item shall only apply to any such member or retiree whose employer filed with
17 this system on or before July 1, 1998, a written request or application for coverage
18 under this Subparagraph.

19 (iii) Any retiree to whom Item (ii) of this Subparagraph applies, whose
20 benefits are based, or by reason of Item (ii) of this Subparagraph would be based, on
21 a calculation of average compensation which includes earnable compensation
22 between June 30, 1995, and June 30, 1997, shall have his benefits recalculated in
23 accordance with this Subparagraph and, if an increase in benefits results, the retiree
24 shall be paid such an amount to restore any prior benefits that would have been paid
25 if the benefits had originally been calculated in accordance with this Subparagraph.

26 ~~(d)~~ (e) Provided, however, in any case where a classroom teacher changes
27 employment to that of a classroom teacher in another parish, the amount for the
28 twelve months of earnings in the position of a classroom teacher in the second parish
29 of employment shall not exceed the compensation for the immediately preceding

1 twelve months by more than twenty-five percent.

2 ~~(e)~~ **(f)** Notwithstanding any other provision of law to the contrary, "average
3 compensation" shall not include any amount in excess of the limitation provided in
4 R.S. 11:785.1.

5 * * *

6 Section 2. The provisions of R.S. 11:403(5) and 701(5) as amended by this Act shall
7 not cause the average compensation of any member retiring on or after the effective date of
8 this Act to be less than such member's average compensation as it existed before the
9 effective date of this Act.

10 Section 3. As soon as practicable after the effective date of this Act, the Public
11 Retirement Systems' Actuarial Committee shall meet to adopt a revised valuation for the
12 system, prepared as provided in R.S. 11:102, applying provisions contained in this Act. This
13 valuation shall include a revised employer contribution rate for each plan within the system
14 to be utilized in the fiscal year which begins on July 1, 2012.

15 Section 4. Any final judgment, rendered by a court of law, declaring the provisions
16 of this Act to be unconstitutional as applicable to a particular group of members of the
17 Louisiana State Employees' Retirement System or the Teachers' Retirement System of
18 Louisiana, the provisions of this Act shall remain in effect and applicable to employees
19 unrelated to the judgment.

20 Section 5.(A) On June 30, 2012, this Act shall become applicable to members of the
21 Louisiana State Employees' Retirement System and the Teachers' Retirement System of
22 Louisiana who shall not be eligible for retirement by October 1, 2012.

23 (B) On October 1, 2012, the provisions of this Act shall become applicable to other
24 members of the Louisiana State Employees' Retirement System and the Teachers' Retirement
25 System of Louisiana as provided in the Act.

26 Section 6. The provisions of this Act shall become effective on June 30, 2012; if
27 vetoed by the governor and subsequently approved by the legislature, this Act shall become
28 effective on June 30, 2012, or on the day following such approval by the legislature,
29 whichever is later.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Laura Gail Sullivan.

DIGEST

Proposed law provides that it is the legislative intent of proposed law to attain and maintain the actuarial soundness of state and statewide retirement systems as required by present constitution (Art. X, §29).

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 three-year FAC. Such members elected on or after Jan. 1, 2011, have a five-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 Jan. 1, 2011, have a five-year FAC.
- (4) TRSL: Members hired on or 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 all members of LASERS who are in "hazardous duty" jobs and hired prior to June 30, 2006, shall retain the three-year FAC. For purposes of proposed law, "hazardous duty" jobs are:

- (1) Public safety service employees referred to as "member" or "members" in R.S. 11:601(B); peace officers employed by the Dept. of Public Safety and Corrections, office of state police, other than state troopers, as provided in R.S. 11:444(A)(2)(b); and personnel employed by the Dept. of Revenue, office of alcohol and tobacco control, as provided in R.S. 11:444(A)(2)(c).
- (2) Wildlife agents.
- (3) Bridge police.

Proposed law further provides that all "non-hazardous duty" employees in LASERS, as defined in proposed law, shall have a five-year FAC, regardless of the date of hire. Further provides that higher education employees, as defined in proposed law, in TRSL shall have a five-year FAC.

Proposed law requires the Public Retirement Systems' Actuarial Committee to meet to adopt a revised valuation for the systems, prepared as provided in R.S. 11:102, applying provisions contained in proposed law. The new valuation shall include a revised employer contribution rate for each plan within the system to be utilized in the fiscal year which begins on July 1, 2012.

Proposed law provides a severability clause such that if a court declares any provisions of proposed law to be unconstitutional as applicable to certain members of LASERS and TRSL, then the provisions of the Act shall be applicable to the remaining members of the system.

Effective June 30, 2012.

(Amends R.S. 11:403(5) and 701(5)(b)-(e); adds R.S. 11:701(5)(f) and 331)