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## DIGEST

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Danahay

HB No. 1174

**Abstract:** Creates "Hazardous Duty" and "Nonhazardous Duty" subplans within the Municipal Police Employees' Retirement System (MPERS) for new hires after December 31, 2012.

Present law establishes the MPERS system. Proposed law retains present law.

Proposed law establishes two new subplans within MPERS. Each new subplan is for new hires on and after Jan. 1, 2013. One subplan is for "hazardous duty" members and the other is for "nonhazardous duty" members. Proposed law defined "hazardous duty" employees as persons eligible to receive state supplemental pay by virtue of their employment. Proposed law defines "nonhazardous duty" employees as persons not eligible to receive state supplemental pay by virtue of their employment.

Proposed law retains present law for current members of each system and for persons hired prior to Jan. 1, 2013.

### EMPLOYEE CONTRIBUTION RATES

Present law establishes the employee contribution rates for MPERS. Rates are based on the members salary being above or below the most recently issued federal poverty guideline. Proposed law retains present law for current employees and adds members of the hazardous duty services subplan to these rates. Proposed law further establishes an employee contribution rate for the nonhazardous duty subplan at 8% or the equivalent of the rate for the hazardous duty subplan if less than 8%.

### AVERAGE COMPENSATION

Present law defines "average compensation" for members as the average of their three highest paid years of employment. Proposed law retains present law for current employees and for employees hired prior to Jan. 1, 2013.

Proposed law changes the definition of "average final compensation" for persons hired on or after Jan. 1, 2013. Proposed law defines "average final compensation" for these new employees as the average of their highest paid five years of employment.

Present law and proposed law both contain restrictions on "spiking" salaries of employees so that, year over year, a member's salary cannot increase over a certain percentage over the prior year's salary.

## RETIREMENT ELIGIBILITY

Present law establishes retirement eligibility for MPERS:

- (1) 25 years of service or more, at any age.
- (2) 20 years of service or more, at 50 years of age.
- (3) 20 years of service or more, at any age, actuarially reduced.
- (4) 12 years of service or more, at 55 years of age.

Proposed law retains present law for current employees and employees hired prior to Jan. 1, 2013.

Proposed law establishes retirement eligibility for the Hazardous Duty Subplan as:

- (1) 25 years of service or more, at any age.
- (2) 12 years or service or more, at age 55 or after.
- (3) 20 years or service or more, at any age, actuarially reduced.

Proposed law establishes retirement eligibility for the Nonhazardous Duty Subplan as:

- (1) 30 years of service or more, at any age.
- (2) 25 years of service or more, at age 55.
- (3) 20 years of service or more, at any age, actuarially reduced.

## ACCRUAL RATE

Present law establishes the accrual rate of members in MPERS at 3.33%.

Proposed law retains present law for current employees and employees hired prior to Jan. 1, 2013.

Proposed law establishes the accrual rate for the Hazardous Duty Subplan at 3% unless the member retires with 30 years of service or more. In the event a member retires with 30 years of service or more, his accrual rate will be 3.33%. Further places restrictions on the creditable service that may be used to meet the 30 years of service requirement.

Proposed law establishes the accrual rate for the Nonhazardous Duty Subplan at 2.5%.

Proposed law authorizes any member eligible for regular retirement (not disability or an actuarially reduced retirement benefit) in either subplan to participate in the Deferred Retirement Option Program (DROP).

## DISABILITY BENEFITS

Present law for MPERS generally provides the following for disability benefits:

Any member certified as disabled due to injury sustained in the course of his duties, and any active member certified as disabled for any reason so long as the member has at least 10 years of creditable service is entitled to disability. Members with severe injuries (including total loss of

an eye or limb) sustained in the line of duty receive 100% of their average final compensation.

Proposed law for both subplans retains this present law.

Present law for MPERS provides for the following calculation for disability benefits: The disability benefit equals 3.33% of average final compensation multiplied by years of service, subject to a minimum of 40% of final compensation and a maximum of 60% of final compensation.

Proposed law applicable to the Hazardous Duty Subplan changes the calculation of the disability benefit for the Hazardous Duty Subplan to equal 2.75% of the member's average final compensation, multiplied by his years of service, subject to a minimum of 33% of average final compensation and a maximum of 55% of average final compensation.

Proposed law applicable to the Nonhazardous Duty Subplan changes the calculation of the disability benefit for the Nonhazardous Duty Subplan to equal 2.25% of his average final compensation, multiplied by his years of service, subject to a minimum of 25% of his average final compensation and a maximum of 50% of his final average compensation.

#### SURVIVOR BENEFITS

Present law for MPERS generally provides the following for survivor benefits:

If an active member is killed in the line of duty, the surviving spouse is entitled to a benefit equal to 100% of the deceased's average final compensation. Minor children are entitled to a benefit until they reach age 18 or age 23 (if enrolled full-time in an institution of higher learning, high school, or vo-tech school). Different provisions apply to handicapped children of a deceased member.

Proposed law retains present law.

Present law for MPERS provides for the following calculation for a survivor benefit for a member not killed in the line of duty: the spouse is entitled to an annual benefit equal to 3.33% of the deceased's average final compensation multiplied by his total years of creditable service, subject to a minimum of 40% and a maximum of 60% of the deceased's average final compensation.

Proposed law requires the active contributing member to have had at least 10 years of service in the system in order to qualify for a survivor benefit.

Proposed law applicable to the Hazardous Duty Subplan further provides for the calculation for a qualified survivor benefit: the surviving spouse shall receive a benefit equal to between 33% and 55% of the member's average final compensation.

Proposed law applicable to the Nonhazardous Duty Subplan further provides for the calculation for a qualified survivor benefit: the surviving spouse shall receive a benefit equal to between 25% and 50% of the member's average final compensation.

(Amends R.S. 11:62(6) and 2213(intro. para.), (4), and (20); Adds R.S. 11:2241.1-2241.8 and 2242.1- 2242.8)

Summary of Amendments Adopted by House

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

1. Removes the Firefighters Retirement System from the bill.

House Floor Amendments to the engrossed bill.

1. Changes the accrual rates for the Hazardous Duty and Nonhazardous Duty subplans.
2. Changes the accrual rate used in the calculation of disability benefits for the Hazardous Duty and Nonhazardous Duty subplans as well as the minimums and maximums applicable to such benefits.
3. Relative to survivor benefits, changes minimum and maximum benefit for both subplans in some circumstances.
4. Changes the employee contribution rate for the Nonhazardous Duty Subplan from 8% to 8% or the rate for the Hazardous Duty Subplan if less than 8%.
5. Restricts the types of service in the Hazardous Duty Subplan that may be used to meet the 30 years of service retirement option.