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DIGEST

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Guillory

SB No. 52

Present law establishes the rates at which members of retirement systems contribute to their retirement plans ranging from 7.5% to 11.5%.

Proposed law increases the contribution rates for members of the Louisiana State Employees' Retirement System (LASERS) who are employed in "nonhazardous" positions and the Teachers' Retirement System of Louisiana (TRSL) who are employed in higher education by 2 percentage points in four steps of 0.5% each. Further provides that proposed law will not occur until the employee's base pay has increased by at least 4% above what it was on July 1, 2012. (Or, if hired after July 1, 2012, increased more than 4% above the employee's initial salary.)

Further provides that an employee will not have to pay the increase provided for in proposed law in years in which the retirement system is at least 80% funded.

Proposed law does not increase contribution rates for LASERS employees in hazardous duty jobs including certain public safety service employees and peace officers, wildlife agents, bridge police, members of the Hazardous Duty Services Plan. Also does not increase contributions for members of the optional retirement plan.

Proposed law specifies that the additional employee contributions resulting from proposed law shall be applied to the unfunded accrued liability (UAL) of each system, without reamortization, until all such liability is fully liquidated.

Present law provides that valuations shall be presented by the Legislative Auditor's Office and the retirement system to the Public Retirement Systems' Actuarial Committee (PRSAC) for consideration. Proposed law expands the agencies which may present actuarial valuations to the Committee for consideration to include the division of administration, for the fiscal year beginning July 1, 2013.

Proposed law provides for an expedited hearing process if proposed law is subjected to legal challenge and provides that the implementation of proposed law may be delayed, if the Public Retirement Systems' Actuarial Committee approves such delay, until a final nonappealable judgment is rendered in any such action instituted on or before September 30, 2012.

Provides for severability if a court declares any provisions of proposed law to be unconstitutional as applicable to certain members of LASERS and TRSL, retaining application of proposed law to the remaining members of the system.

Effective July 1, 2012.

(Amends R.S. 11:62(5)(a), (c), and (e) and (11)(c); Adds R.S. 11:62(11)(d) and 102(D))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Retirement to the original bill

1. Provides that, instead of reducing the employer contribution requirements, the additional employee contributions shall be applied to the net remaining balance of the 1988 unfunded accrued liability (UAL) without reamortization of that base until the debt is fully liquidated.
2. Includes the current governor in application of proposed law.

3. Expands the agencies which may present actuarial valuations to the Public Retirement Systems' Actuarial Committee for consideration to include the Division of Administration, for purposes of determining the employer contribution rate to be remitted for the fiscal year beginning July 1, 2012.
4. Provides for an expedited hearing process.

Committee Amendments Proposed by Senate Committee on Finance to the engrossed bill

1. Reduces the increased employee contribution amount from 3% of pay to 2% of pay.
2. Phases in, over four years, beginning July 1, 2013, with 0.5% increases.
3. Retains all future "savings" generated by proposed law in the system trust fund.

Senate Floor Amendments to reengrossed bill

1. Makes technical corrections.
2. Provides requirements for when the employee contribution rates will increase.
3. Changes "outstanding amortization" to "outstanding positive amortization".
4. Provides that implementation of proposed law may be delayed until a final nonappealable judgment is rendered in any legal challenge instituted on or before June 30, 2013.
5. Provides an exception to proposed law for employees based on the average of the actuarially required payment for the UAL for the previous four fiscal years.

Summary of Amendments Adopted by House

Committee Amendments Proposed by House Committee on Retirement to the re-engrossed bill.

1. Changes from June 30, 2013, to September 30, 2012, the date by which a legal challenge must be instituted in order to trigger the delayed implementation of proposed law. Further requires the Public Retirement Systems' Actuarial Committee to approve such delay.
2. Removes exception to proposed law for employees based on the average of the actuarially required payment for the UAL for the previous four fiscal years; adds an exception to the application of proposed law if a system is at least 80% funded.
3. Changes the date after which an increase in pay triggers the rate increase in proposed law from July 2, 2013, to July 1, 2012.
4. Changes the pay increase requirement that triggers the rate increase in proposed law from a merit increase of at least 4% to an increase in base pay of at least 4%. The 4% base pay increase is evaluated based on the employee's pay on July 1, 2012 or, if the employee is hired after July 1, 2012, what the employee's entry level pay was.