

HOUSE SUMMARY OF SENATE AMENDMENTS

House Bill No. 18 by Representative Hutter

RETIREMENT BENEFITS: Provides for public employees on involuntary furlough or leave without pay due to a disaster to continue to earn service credit in their retirement systems by making employee and employer contributions (Item #65)

Synopsis of Senate Amendments

1. Provides that any service and salary credit purchased pursuant to proposed law may not be used for the purpose of meeting the minimum service requirements for disability retirement.
2. Provides that the contributions for purchase of service and salary credit pursuant to proposed law are based on the rate of compensation in effect for the last full pay period ending on or before August 29, 2005.
3. Provides that the right to purchase service and salary credit pursuant to proposed law shall not apply to routine personnel actions or separations which are not the direct result of a gubernatorially declared disaster or emergency.
4. Provides that any dispute arising under the limitations of proposed law shall be resolved in the sole and exclusive discretion of the board of trustees of the retirement system.
5. Provides that all payment for service purchased pursuant to proposed law shall be remitted to the system on or before December 31, 2006.
6. Provides that the employee may pay the required contributions to his employer or to the system.
7. Provides that any employee who opts to pay the contributions in a lump sum upon his return to work shall make such payment within 30 days; provides, however, that any such lump sum payment shall be remitted to the system on or before December 31, 2006.
8. Adds provisions relative to early retirement for certain members of the Louisiana State Employees' Retirement System (LASERS) furloughed, terminated, or placed on leave without pay as a result of budget reductions required by Hurricanes Katrina and Rita and provisions for filling of vacancies resulting from such retirements.

Digest of Bill as Finally Passed by Senate

Abstract: Allows a member of any state or statewide public retirement system on involuntary furlough or leave without pay due to a gubernatorially declared disaster or emergency to purchase service or salary credit for the period of furlough or such leave by paying the required employer and employee contributions to the system, subject to certain limitations. Also provides for early retirement for certain members of the Louisiana State Employees' Retirement System (LASERS) furloughed, terminated, or placed on leave without pay as a result of budget reductions required by Hurricanes Katrina and Rita and provisions for filling of vacancies resulting from such retirements.

Retirement Credit for Public Employees Furloughed or on Leave Without Pay

Present law (R.S. 11:163(A)(1)) provides that any member of a state or statewide public retirement system who is involuntarily furloughed without pay due to the temporary closure of his employer shall be entitled to purchase service and salary credit for each day of service that he was furloughed if such service was not credited to his account. Specifies that there shall be no duplication of credit under the provisions of present law.

Proposed law retains present law and additionally includes in such provisions any member who is involuntarily furloughed without pay or placed on leave without pay due to a gubernatorially declared disaster or emergency.

Present law (R.S. 11:163(C)(1)) provides that any purchase of credit pursuant to present law shall be made by paying to the system an amount sufficient to offset any liability to the system, calculated on an actuarial basis in accordance with other provisions of present law (R.S. 11:158).

Proposed law retains present law for members included in present law and proposed law (members involuntarily furloughed or on leave without pay due to a gubernatorially declared disaster or emergency) who purchase credit pursuant to present law.

Proposed law (R.S. 11:163(A)(2)) additionally entitles any member of a state or statewide public retirement system who is involuntarily furloughed without pay or on leave without pay on or after August 29, 2005, due to a gubernatorially declared disaster or emergency to purchase service and salary credit for each day of service during the period beginning on August 29, 2005, and ending on June 30, 2006, that he was furloughed or on such leave if such service was not credited to his account. Prohibits any duplication of credit under the provisions of present law and proposed law.

Proposed law provides that any service and salary credit purchased pursuant to proposed law may not be used for the purpose of meeting the minimum service requirements for disability retirement.

Proposed law provides that the contributions for purchase of service and salary credit pursuant to proposed law are based on the rate of compensation in effect for the last full pay period ending on or before August 29, 2005.

Proposed law provides that the right to purchase service and salary credit pursuant to proposed law shall not apply to routine personnel actions or separations which are not the direct result of a gubernatorially declared disaster or emergency.

Proposed law provides that any dispute arising under the limitations of proposed law shall be resolved in the sole and exclusive discretion of the board of trustees of the retirement system.

Proposed law (R.S. 11:163(C)(2)) additionally requires that any member who is involuntarily furloughed without pay or on leave without pay on or after August 29, 2005, as a result of a gubernatorially declared disaster or emergency, who purchases credit pursuant to proposed law (R.S. 11:163(A)(2)) to pay to the system or to his employer the employee and employer contributions which would be remitted to the system by his employer if not for the involuntary furlough or leave without pay. Requires that if such payments are made to the employer, the employer shall remit them to the system. Requires that such payments be made either:

- (1) At the same time as such contributions would be due to the system if paid by the employer. Provides that any such contributions which would have been due before the effective date of proposed law shall be considered timely if received by the system by the date on which contributions for service and salary credit for December

2005 are due.

- (2) In a lump sum payment within 30 days of a member's return to work; however, provides that any such lump sum payment shall be remitted to the system on or before December 31, 2006.

Proposed law requires payment to be remitted to the system on or before December 31, 2006.

Proposed law further provides that, if the member's contributions are delinquent, his delinquent payment shall be treated as though it were a delinquent payment from the employer pursuant to present law (R.S. 11:281), which requires payment of interest on such delinquent contributions.

Proposed law authorizes the board of trustees of each state and statewide retirement system to adopt rules to implement proposed law relative to purchase of credit by payment of employer and employee contributions.

Provides that the provisions of proposed law relative to retirement credit for public employees furloughed or on leave without pay are remedial, curative, and procedural and are to be applied retroactively as well as prospectively.

Early Retirement for Certain LASERS Members & Filling of Vacancies Thus Created

Present law provides that a regular member of the Louisiana State Employees' Retirement System (LASERS) is eligible to retire and receive a benefit of 2.50% of average compensation for each year of service credit if he has:

- (1) 10 years of service credit at age 60; or
- (2) 25 years of service credit at age 55; or
- (3) 30 years of service credit at any age.

Proposed law retains present law, but between Dec. 1, 2005, and Feb. 28, 2006, would provide a reduced benefit of 2.25% of average compensation for each year of service credit for a person who is an active contributing member of LASERS and a person who has been furloughed, terminated, or placed on leave without pay due to the budget reductions required by hurricanes Katrina and Rita, but who is at least age 50 with a minimum of 10 years of service credit and who retires within the given time frame and who is not eligible for regular retirement.

Proposed law would provide that any person to whom proposed law would otherwise apply who retired on or after November 1, 2005 with an actuarially reduced benefit under the provisions of present law shall, upon application to the LASERS board of trustees, have his retirement benefit recalculated under the provisions of proposed law, so long as his application for recalculation is received by the system on or before Feb. 28, 2006. The person shall receive the greater of the two benefits.

Provisions of proposed law would not apply to those groups of state employees whose retirement benefits are calculated with an accrual rate higher than 2.50%.

Proposed law would provide that all unused accumulated sick and annual leave of a person retiring under the provisions of proposed law shall be converted to retirement credit and no payment shall be made for any unused leave by any state agency except LASERS. Proposed law would further provide that the individual may choose at the time of retirement to receive a lump sum benefit payment from LASERS for up to 300 hours of converted annual leave. Proposed law would provide that the lump-sum benefit payment would be calculated based on the person's rate of pay on the date he left state service and not based on average

compensation. Requires the division of administration to certify the leave balance and that no previous payment had been made.

Proposed law would provide for the division of administration to report to the Joint Legislative Committee on the Budget by March 15, 2006, regarding the positions vacated and fiscal savings created by proposed law.

Proposed law would provide that positions within the executive branch of state government which are caused to be vacated by proposed law, directly or indirectly, shall not be filled, except upon approval of the division of administration and in accordance with the rules and regulations of the Civil Service Commission. Proposed law would further provide that before approval by the division of employment of a new person from outside the agency or outside state service, the agency shall attempt to refill the vacancy from within the agency or in cooperation with the Civil Service Commission transfer employees from another agency to refill the vacancy, still subject to approval of the division.

Proposed law additionally would provide that in no case shall any department within the executive branch of state government refill more than 25% of the positions caused to be vacated by the provisions of proposed law. Proposed law would provide that the division of administration shall make quarterly reports to the Joint Legislative Committee on the Budget on the number of positions which have been filled by the hiring of new employees or by transfer from another agency, and the salaries of those employees.

Proposed law would provide that a person who elects to retire under the provisions of proposed law who is reemployed in a position making him eligible for LASERS shall have his benefit suspended and no supplemental benefit shall be earned while he is so employed. Requires the system to promulgate rules to implement these provisions, including agency reporting of any retirees reemployed.

Proposed law requires the legislature annually to appropriate out of the general fund or any budget surplus an amount equal to 10% of the reduction in general fund expenditures attributable to proposed law to make an additional payment to LASERS for purposes of reducing the unfunded accrued liability that existed on June 30, 1988.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 11:163(A) and (C))