

Regular Session, 2013

HOUSE BILL NO. 56

BY REPRESENTATIVE JONES

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

RETIREMENT/MUNICIPAL EMP: Provides for a divided benefit for members of the Municipal Employees' Retirement System when certain earnings increases occur

1 AN ACT

2 To amend and reenact R.S. 11:1732(15) and to enact R.S. 11:1732(11.2), relative to the
3 calculation of retirement benefits in the Municipal Employees' Retirement System;
4 to provide for a division of the benefit if certain earnings increases occur; to provide
5 conditions; to provide definitions; to provide for applicability; and to provide for
6 related matters.

7 Notice of intention to introduce this Act has been published
8 as provided by Article X, Section 29(C) of the Constitution
9 of Louisiana.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 11:1732(15) is hereby amended and reenacted and R.S.
12 11:1732(11.2) is hereby enacted to read as follows:

13 §1732. Definitions

14 The following words and phrases, as used in this Chapter, unless a different
15 meaning is plainly required by the context, shall have the following meaning:

16 * * *

17 (11.2)(a) "Divided benefit" means the benefit earned by a member whose
18 actual earnings in a calendar month are fifteen percent or more above his average
19 monthly earnings for the immediately preceding twelve months. Such divided benefit
20 shall be calculated as the sum of benefits calculated as follows:

1 (i) The member's final compensation and creditable service as they existed
 2 prior to the first day of the calendar month in which such an increase occurs shall
 3 remain fixed and the benefit attributable to such service calculated. The benefit for
 4 such service shall be calculated based on the length of such service, the accrual rate
 5 of the member during such service, and the final compensation during the period of
 6 such service.

7 (ii) A benefit shall also be calculated for service accrued on and after the first
 8 day of the calendar month in which such an increase occurs and before any other
 9 division required by Item (iii) of this Subparagraph. The benefit for such service
 10 shall be calculated based on the length of such service, the accrual rate of the
 11 member during such service, and the final compensation during the period of such
 12 service.

13 (iii) Each time a member's actual earnings in a calendar month are fifteen
 14 percent or more above his average monthly earnings for the immediately preceding
 15 twelve months, a division shall be created in the member's benefit such that a benefit
 16 is calculated for all new service on and after such salary increase and before any
 17 future such salary increase. The benefit for such service shall be calculated based
 18 on the length of such service, the accrual rate of the member during such service, and
 19 the final compensation during the period of such service.

20 (b) Total years of service within the system accrued by a member shall be
 21 aggregated for purposes of retirement eligibility.

22 (c) The divided benefit calculation, if applicable, shall apply to all benefits
 23 earned pursuant to this Chapter, including but not limited to normal retirement,
 24 disability, and survivor benefits.

25 * * *

26 (15)(a) For employees who do not require a divided benefit calculation,
 27 ~~Final~~ final ~~compensation~~ means the average monthly earnings during the highest
 28 sixty consecutive months or joined months if service was interrupted. The earnings
 29 to be considered for the thirteenth through the twenty-fourth months shall not exceed

1 one hundred fifteen percent of the earnings for the first through the twelfth months.

2 The earnings to be considered for the twenty-fifth through the thirty-sixth months

3 shall not exceed one hundred fifteen percent of the earnings for the thirteenth

4 through the twenty-fourth months. The earnings to be considered for the thirty-

5 seventh through the forty-eighth months shall not exceed one hundred fifteen percent

6 of the earnings for the twenty-fifth through the thirty-sixth months. The earnings to

7 be considered for the final twelve months shall not exceed one hundred fifteen

8 percent of the earnings of the thirty-seventh through the forty-eighth months.

9 (b) For members who require a divided benefit calculation, "final

10 compensation" shall mean the average monthly earnings during the highest sixty

11 consecutive months or joined months if service was interrupted, within a period of

12 service for a calculation required pursuant to Paragraph (11.2) of this Section. If the

13 period of service in a calculation is less than sixty months, then the final

14 compensation for that particular calculation shall be the average monthly earnings

15 during the number of months worked in that period. For the purposes of survivor

16 and disability benefits, "final compensation" shall mean the sum of all final

17 compensation calculations pursuant to Paragraph (11.2) of this Section, each

18 calculation weighted in proportion to the relation between the number of years of

19 service in the calculation and the total years of creditable service.

20 * * *

21 Section 2. This Act shall become effective upon signature by the governor or, if not

22 signed by the governor, upon expiration of the time for bills to become law without signature

23 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If

24 vetoed by the governor and subsequently approved by the legislature, this Act shall become

25 effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Jones

HB No. 56

Abstract: Establishes a divided benefit calculation for members of the Municipal Employees' Retirement System (MERS) upon the occurrence of certain earnings increases.

Present law establishes the MERS system and provides for benefits for members of the system. Proposed law retains present law.

Present law provides for the calculation of benefits for members of MERS. Generally, this calculation is as follows:

total years of service x final compensation x accrual rate

and is performed when the member retires, enters DROP, files for disability benefits, or dies while in active service.

Proposed law retains present law for all members who do not qualify for a "divided benefit". Under proposed law, if a member's monthly earnings are 15% or more above his average monthly earnings for the immediately preceding 12 months, the member's benefit shall be divided. Proposed law provides that the member's benefit shall be calculated as the sum of benefits calculated as follows:

- (1) Total years of service prior to the 15% or greater increase in monthly earnings times the final compensation for those particular years of service times the accrual rate for those years of service.
- (2) Years of service on and after the 15% or greater increase in monthly earnings times the final compensation for those particular years of service times the accrual rate for those years of service.
- (3) A benefit shall also be calculated in a similar manner for any period between two increases of 15% or more.

Proposed law further provides that for members with a divided benefit, the member's total years of service within the system shall be aggregated for purposes of retirement eligibility.

Further provides that if a member achieves the qualifications for a divided benefit under proposed law, the divided benefit shall be used to calculate all benefits earned by the member, including normal retirement benefits, disability benefits, and survivor benefits.

Present law defines "final compensation" as the average monthly earnings of the member during the highest 60 consecutive months of employment (or highest 60 joined months of employment if service was interrupted). Proposed law retains present law for all members who do not have a divided benefit. For members who have a divided benefit, proposed law retains present law making it applicable to all periods of service and further provides that for any period of service less than 60 months, the final compensation shall be the average monthly earnings of the member during the number of months worked.

Present law provides caps on the earnings that may be considered in each year of the final compensation calculation, such that the earnings for the 25th through 36th months cannot

exceed 115% of the earnings of the first through 24th months, etc. Proposed law removes these caps for members with a divided benefit because the cap is equal to the earnings increase trigger for a divided benefit.

Proposed law further provides that for the purposes of disability and survivor benefits, "final compensation" shall mean the sum of all final compensation calculations required pursuant to proposed law, each calculation weighted in proportion to the relation between the number of years of service attributable to each calculation and the total number of years of service of the member.

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

(Amends R.S. 11:1732(15); Adds R.S. 11:1732(11.2))