DIGEST

Pearson HB No. 57

Abstract: Provides the following for the benefit of liabilities of state retirement systems: (1) a five-year final compensation or average salary, as applicable; (2) a minimum employer contribution rate until the system is at least 90% funded; and (3) increases employee contributions, such amounts to be dedicated to the payment of post-1989 liabilities.

EMPLOYEE CONTRIBUTIONS

Present law establishes the four state retirement systems: (1) the La. State Employees' Retirement System (LASERS); (2) the Teachers' Retirement System of La.; (3) the La. School Employees' Retirement System; and (4) the La. State Police Retirement System. Proposed law retains present law.

Present law (R.S. 11:62) establishes the employee contributions required from each member of a state retirement system. Such contributions are remitted to the respective system for investment. Benefits from each system are paid from a combination of employee contributions + employer contributions + interest earned on those contributions. Proposed law retains present law.

Proposed law (R.S. 11:63) provides that for all members of each of the state retirement systems, additional employee contributions shall be required, as follows:

(1) Beginning July 1, 2015, 1% above the amount required by present law.

(2) Beginning July 1, 2017, an additional 1% above the amount required by present law and proposed law.

Proposed law further provides that all such additional amounts remitted to LASERS and TRSL pursuant to proposed law shall be applied only to the unfunded accrued liability of each respective system accrued after July 1, 1989.

Proposed law further provides that proposed law shall not apply to any member participating in the Optional Retirement Plan in TRSL.

EMPLOYER CONTRIBUTIONS

Present law (R.S. 11:102) generally provides the method for actuarially determining the employer contribution rate for state retirement systems every fiscal year. Such employer contribution shall be a percentage of the total payroll of active members in a given system. Requires each employer paying a portion of a member's salary to fund the employer contribution on that portion of the member's salary. Further provides that employee contributions shall be applied to the total normal cost for a particular fiscal year to reduce the employer portion of the normal cost.

Proposed law provides that the employee rate increase in proposed law shall not be applied toward reducing the employer portion of the normal cost.

Present law (R.S. 11:102(B)(5)) provides a minimum employer contribution rate for LASERS and TRSL. Provides that until all the unfunded accrued liability that existed at each system on June 30, 2004, is fully paid off, the employer contribution rate for that system cannot fall below 15-1/2%.

Proposed law retains present law and further provides that after such time as the unfunded accrued liability that existed at LASERS and TRSL on June 30, 2004, is paid off, the employer contribution rate cannot fall below 15%, unless the system is at least 90% funded. Proposed law further establishes a minimum employer contribution of 15% for LSERS and La. State Police Retirement System, unless the system is at least 90% funded.

AVERAGE COMPENSATION/SALARY

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).

LASERS AND TRSL:

Present law (R.S. 11:403(5) and 701(5)), relative to LASERS and TRSL provides varying periods of FAC 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 hired on or after January 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 January 1, 2011, have a five-year FAC.

(4) TRSL: Members hired on of 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 every member of LASERS and of TRSL shall have a five-year FAC.

Present law provides that members of LASERS hired on or before June 30, 2006, have a 25% antispiking cap on the calculation of compensation that can be taken into account each year when the "average compensation" calculation is performed. Proposed law changes this cap from 25% to 15%.

Present law provides that members of TRSL hired on or before Dec. 31, 2010, have a 10% antispiking cap on the amount of earnings that can be considered each year in the "average compensation" calculation. Further provides that members of TRSL hired on or after Jan. 1, 2011, have a 15% antispiking cap. Proposed law retains present law.

LSERS and State Police:

Present law (R.S. 11:1002(6) and 1310) relative to LSERS and La. State Police Retirement System provides varying periods of FAC for members of those systems ranging from one to five years. FAC periods for LSERS and State Police are as follows:

(1) LSERS: Members hired on or before June 30, 2006, have a three-year FAC. Members hired between July 1, 2006, and June 30, 2010, have a five-year FAC. Members hired on or after July 1, 2010, have a five-year FAC.

(2) La. State Police Retirement System: Members hired on or before Sept. 8, 1978, have a one year "average salary". Members hired between Sept. 8, 1978, and Dec. 31, 2010, have a three-year "average salary". Members hired on or after Jan. 1, 2011, have a five-year "average compensation".

Present law provides that members of LSERS hired on or before June 30, 2010, have a 10% antispiking cap on the amount of earnings that can be considered each year in the "average compensation" calculation. Further provides that members of LSERS hired on or after July 1, 2010, have a 15% antispiking cap calculation. Proposed law retains present law.

Present law provides that members of the La. State Police Retirement System hired on or before Sept. 8, 1978, do not have antispiking restrictions in their "average salary" calculation. Further provides that members hired between Sept. 8, 1978, and Dec. 31, 2010, have a 25% antispiking cap on the amount of earnings that can be considered each year in the "average salary" calculation. Proposed law applies the 25% antispiking cap on all members of the La. State Police Retirement System hired on or before Jan. 1, 2011.

Present law provides that members of the La. State Police Retirement System hired on or after Jan. 1, 2011, have a 15% cap on the amount of earnings that can be considered each year in the "average compensation" calculation. Proposed law retains present law.

Proposed law further provides, as a transition provision, that proposed law shall not cause the average compensation of any member retiring on or after the effective date of proposed law to be less than such member's average compensation as it existed under present law.

Proposed law further provides for a phased-in transition for current 36-month average compensation employees to the new average compensation or average salary as provided in proposed law:

(1) For members retiring on or after Jan. 1, 2014, and on or before Dec. 31, 2016, the period used to calculate average compensation or average salary as applicable shall be 36 months plus the number of whole months since Jan. 1, 2014.

(2) For members entering DROP before Jan. 1, 2016, the period of additional service required and used to calculate a revised average compensation or average salary as applicable shall be 36 months plus the number of whole months from Jan. 1, 2014, to the date of entry into DROP.

Proposed law provides that if proposed law is declared by a court to be unconstitutional as applied to vested members of a state retirement system, proposed law shall only apply to nonvested members.

Effective Jan. 1, 2014.

(Amends R.S. 11:102(B)(2)(c)(ii), (3)(a), and (5), 403(5), 450(B), 531(A)(1)(c), 558(D), 701(5)(a) and (b), 927(A), 1002(6), 1143(D), and 1310(A); Adds R.S. 11:63; Repeals R.S. 11:612(1))