

2020 Regular Session

HOUSE BILL NO. 18

BY REPRESENTATIVE BACALA

RETIREMENT/MUNICIPAL POL: Provides relative to contributions to and the administration of the Municipal Police Employees' Retirement System

1 AN ACT

2 To amend and reenact R.S. 11:2220(G), 2221(C) and (E)(1)(a), 2225(A)(1), 2225.4(B) and

3 (C)(1)(a), and 2227(B)(1)(introductory paragraph) and (b), (G), and (J) and to enact

4 R.S. 11:2225(G), relative to the Municipal Police Employees' Retirement System;

5 to provide relative to employer and employee contributions and the reporting thereof;

6 to provide for suspension of benefit payments and extension of Deferred Retirement

7 Option Plan participation period under certain circumstances; to provide with regard

8 to interest and penalties for delinquent contributions; and to provide for related

9 matters.

10 Notice of intention to introduce this Act has been published

11 as provided by Article X, Section 29(C) of the Constitution

12 of Louisiana.

13 Be it enacted by the Legislature of Louisiana:

14 Section 1. R.S. 11:2220(G), 2221(C) and (E)(1)(a), 2225(A)(1), 2225.4(B) and

15 (C)(1)(a), and 2227(B)(1)(introductory paragraph) and (b), (G), and (J) are hereby amended

16 and reenacted and R.S. 11:2225(G) is hereby enacted to read as follows:

17 §2220. Benefits; contribution limit

18 \* \* \*

1           G. The retirement benefits provided by this Section shall not annually exceed  
 2           one hundred percent of average final compensation, and when a member has earned  
 3           benefits equal to one hundred percent of his average final compensation, no further  
 4           contributions shall be required of him. However, the employer shall continue to pay  
 5           to the system the employer's contribution. However, if a member earns benefits  
 6           equal to or greater than one hundred percent of his average final compensation on or  
 7           after July 1, 2021, the employer and employee shall continue to pay their respective  
 8           contributions to the system.

9   \*       \*       \*

10       §2221. Deferred Retirement Option Plan

11   \*       \*       \*

12           C. The duration of participation in the plan shall be specified and shall not  
 13           exceed three years. However, if employer contributions on behalf of a participant  
 14           are suspended during the participation period as a result of interruption of  
 15           employment, benefit payments into the participant's subaccount within the plan shall  
 16           be suspended until payment of employer contributions is restored, and the member's  
 17           participation period shall be extended by the number of months his benefit payments  
 18           were suspended. In such a case, the participation period may exceed three calendar  
 19           years but shall not exceed thirty-six nonconsecutive months of participation. For  
 20           purposes of this Subsection, interruption of employment shall include but not be  
 21           limited to periods when a participant is on leave without pay or worker's  
 22           compensation.

23   \*       \*       \*

24           E.(1)(a) Upon the effective date of the commencement of participation in the  
 25           plan, membership in the system shall terminate and neither employee nor employer  
 26           contributions shall be payable, except that for employees who commence  
 27           participation in the plan on or after July 1, 2021, employer contributions shall  
 28           continue to be payable.

29   \*       \*       \*

1 §2225. Administration

2 A.(1) The general administration and responsibility for the proper operation  
3 of the retirement system and for making effective the provisions of this Chapter are  
4 hereby vested in a board of trustees which shall be organized immediately after a  
5 majority of the trustees provided for in this Section shall have qualified and taken the  
6 oath of office. The board of trustees may make, amend, and promulgate rules and  
7 otherwise provide for the establishment and maintenance of the system as authorized  
8 by this Title.

9 \* \* \*

10 G. All employers shall report separately the amount of compensation paid  
11 for overtime on their monthly contribution reports.

12 \* \* \*

13 §2225.4. Unfunded accrued liability; payment by employer

14 \* \* \*

15 B.(1) Any amount due pursuant to Subsection A of this Section shall be  
16 determined by the actuary employed by the system and shall be amortized over  
17 fifteen years in equal payments with interest at the system's valuation interest rate.  
18 Payments for withdrawals that occur on or after July 1, 2018, shall be payable  
19 beginning July first of the second fiscal year following the ~~withdrawal~~ determination  
20 by the actuary and in the same manner as regular payroll payments to the system.  
21 Beginning July first of the fiscal year following the withdrawal, interest shall accrue  
22 at the system's actuarial valuation rate, compounded annually.

23 (2) If the number of participating employees of an employer subject to  
24 Paragraph (A)(2) of this Section returns to at least the number of participating  
25 employees as of the June thirtieth immediately preceding the withdrawal, the  
26 payments required by this Section shall cease on the July first following the  
27 determination by the actuary that a sufficient increase in participating employees has  
28 occurred, and no further payments shall be due with respect to the withdrawal. Any  
29 payments made pursuant to this Section ~~will~~ shall be credited as an offset of any

1 amounts due by the employer attributable to any subsequent withdrawal that occurs  
2 within fifteen years of the payments.

3 C.(1) If an employer fails to make a payment timely, the amount due shall  
4 be collected in any of the following manners:

5 (a) By action in a court of competent jurisdiction against the delinquent  
6 employer. The amount due shall include interest calculated at the system's actuarial  
7 valuation rate, compounded annually. The employer shall also be liable for any legal  
8 and actuarial fees incurred by the system in the collection of amounts pursuant to this  
9 Section.

10 \* \* \*

11 §2227. Method of financing

12 \* \* \*

13 B. Annuity savings fund:

14 The annuity savings fund shall be the fund in which shall be accumulated  
15 contributions from the compensation of members to provide for their annuities.  
16 Contributions to the annuity savings fund shall be made as follows:

17 (1) Each municipality shall make deductions from any salary or wages  
18 excluding overtime paid by them to any member of this system in accordance with  
19 the provisions of R.S. 11:62(6) on the earnable compensation paid him in each and  
20 every payroll. All employers shall report separately the amount of compensation  
21 paid for overtime on their monthly contribution reports.

22 \* \* \*

23 (b) In the event the reduced salary paid by the municipality is not sufficient  
24 to cover the deduction of employee contributions equal to that which would have  
25 been deducted had the member not begun receiving worker's compensation  
26 payments, the member may elect to pay the deficit to make whole the amount due  
27 each and every payroll period directly to the municipality to be forwarded to the  
28 retirement system. If the member does not elect to pay the deficit to make whole the  
29 amount that would have been deducted had he not begun receiving worker's

1 compensation, that member, for such periods, shall receive service credit for  
 2 eligibility determination purposes only and not for computation of benefits.  
 3 Beginning on July 1, 2021, if the member does not pay the deficit to make whole the  
 4 amount that would have been deducted pursuant to this Section for service each and  
 5 every pay period, the member shall not receive service credit for the period in which  
 6 the deficit was not paid.

7 \* \* \*

8 G. The deferred retirement option plan shall be the account in which ~~shall~~  
 9 ~~be accumulated~~ all payments made pursuant to R.S. ~~11:2221~~ 11:2221(E)(3)  
 10 accumulate. Interest shall be credited to the account as provided by R.S.  
 11 ~~11:2221(F)(2)~~ 11:2221(G).

12 \* \* \*

13 J.(1) ~~Should~~ If any municipality or other employer ~~refuse~~ fails to transmit  
 14 either employer's contributions or member's contributions within five days after ~~its~~  
 15 their due date, the payment shall be delinquent. As used in this Subsection, "due  
 16 date" means the close of the tenth day after the end of the month for which payment  
 17 of employer's and member's contributions is applicable or deducted. In addition to  
 18 the employer and member contributions owed, the employer shall submit an amount  
 19 determined in accordance with Paragraph (2) of this Subsection.

20 (2)(a) Interest charged at the legal rate shall be due from the date the  
 21 payment became delinquent.

22 (b) Any employer who becomes delinquent for a period in excess of ninety  
 23 days in the collection and remittance of the amounts due as monthly contributions  
 24 is also subject to a penalty of twenty-five percent of the aggregate monthly  
 25 contributions due.

26 (c) Any employer who becomes delinquent for a period in excess of one  
 27 hundred and eighty days in the collection and remittance of the amounts due as  
 28 monthly contributions is liable for the greater of the amounts in Subparagraphs (a)  
 29 and (b) of this Paragraph and an amount equal to the actuarial cost of a purchase of

1        the service credit for which contributions were not timely paid calculated by the  
2        system's actuary pursuant to R.S. 11:158(C).

3                (d) The employer that failed to transmit the required contributions in a timely  
4        manner shall also reimburse the system any legal and actuarial fees paid by the  
5        system in the collection of amounts pursuant to this Paragraph.

6        Section 2. This Act shall become effective on July 1, 2020; if vetoed by the governor  
7        and subsequently approved by the legislature, this Act shall become effective on July 1,  
8        2020, or on the day following such approval by the legislature, whichever is later.

### 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)]

HB 18 Engrossed

2020 Regular Session

Bacala

**Abstract:** Provides for the reporting of contributions within the Municipal Police Employees' Retirement System (MPERS), for suspension of benefit payments and extension of participation in the Deferred Retirement Option Plan (DROP), establishes interest and penalties for delinquent contributions, and gives the board of directors the authority to promulgate rules.

Present law provides that the duration of participation in the Deferred Retirement Option Plan (DROP) shall not exceed three years. Proposed law retains present law and provides that if employer contributions are suspended during the participation period as a result of interruption of employment, the member's participation period shall be extended by the number of months his benefit payments were suspended.

Present law further provides that upon the effective date of commencement of participation in DROP, neither employee nor employer contributions are payable. Proposed law provides that employee contributions for employees who commence participation in the plan on or after July 1, 2021, shall cease but employer contributions shall continue to be payable.

Present law provides for the payment of unfunded accrued liability by employers participating in the system that fully dissolves its police department and contracts for police services with another entity. Present law further provides that payments are payable beginning July first of the fiscal year following the withdrawal from the system by the participating employer. Proposed law provides that payments are payable following the determination by the system actuary of the amount owed.

Proposed law provides that delinquent payments of employee or employer contributions by an MPERS employer are subject to the following:

- (1) Interest charged at the legal rate from the date the payment became delinquent.
- (2) Payments delinquent in excess of 90 days are subject to a penalty of 25% of the aggregate contributions due.

- (3) Payments delinquent in excess of 180 days are subject to payment of the greater of (1) or (2) above and an amount equal to the actuarial cost of a purchase of the service credit for which contributions were not timely paid.
- (4) Reimbursement of the system for any legal and actuarial fees paid by the system in the collection of amounts under proposed law.

Present law provides that a member who is receiving worker's compensation and who does not pay the full amount that would be his employee contribution if he were not receiving worker's compensation may receive service credit for purposes of eligibility determination but not for computation of benefits purposes. Proposed law provides that such a member shall not receive service credit for any purpose.

Proposed law authorizes the MPERS board of trustees to make, amend, and promulgate rules and to provide for the establishment and maintenance of the system.

Effective July 1, 2020.

(Amends R.S. 11:2220(G), 2221(C) and (E)(1)(a), 2225(A)(1), 2225.4(B) and (C)(1)(a), and 2227(B)(1)(intro. para.) and (b), (G), and (J); Adds R.S. 11:2225(G))

#### Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Retirement to the original bill:

1. Change the effective date of certain proposed law provisions relative to employer and employee contributions.