
DIGEST

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HB 50 Original

2016 Regular Session

Ivey

Abstract: Establishes a tiered accrual rate based on years of creditable service for all new members of state retirement systems whose first employment making them eligible for membership in a state system occurs on or after July 1, 2018.

Present law establishes the four state retirement systems—the La. State Employees' Retirement System (LASERS), the Teachers' Retirement System of La. (TRSL), the La. School Employees' Retirement System (LSERS), and the State Police Retirement System (STPOL)—and provides for the payment of benefits from each system to qualifying retirees and beneficiaries. Proposed law retains present law.

Present law generally requires application of the following formula for the payment of retirement benefits:

$$\text{Years of Service} \times \text{Accrual Rate} \times \text{Average Compensation}$$

Pursuant to this formula, for each year of service the member accrues a certain percentage of his average compensation.

Present law further establishes different accrual rates for different plans and systems, as further explained below. Proposed law establishes a new tiered accrual rate based on length of service to be used in the calculation of benefits for new members whose first employment making them eligible for membership in a state system occurred on or after July 1, 2018, (hereafter referred to as "new members").

Regular Retirement Benefits

TRSL, LSERS, and Rank-and-File LASERS Members

Present law provides that members of TRSL, LSERS, as well as rank-and-file members of LASERS (including judges) shall have an accrual rate of 2.5% for each year of service.

Proposed law provides that for such new members the accrual rate shall be as follows:

- (1) For every year of creditable service less than five years the rate shall equal 1.5% of average compensation.
- (2) For every year of the 5th through the 9th years of creditable service, the rate shall equal 1.75% of average compensation.
- (3) For every year of the 10th through the 14th years of creditable service, the rate shall equal 2% of average compensation.
- (4) For every year of the 15th through the 24th years of creditable service, the rate shall equal 2.5% of average compensation.
- (5) For every year of the 25th through the 29th years of creditable service, the rate shall equal 3% of average compensation.
- (6) For every year of the 30th through the 34th years of creditable service, the rate shall equal 3.25% percent of average compensation.
- (7) For the 35th year of creditable service and for each year of creditable service thereafter, the rate shall equal 4% of average compensation.

Present law provides that judges shall receive an additional 1% of average compensation for each year of service as a judge. Proposed law retains present law.

Hazardous Duty Members of LASERS

Present law provides that members of the Hazardous Duty Services Plan within LASERS shall have an accrual rate of 3.33% if such member retires pursuant to the Hazardous Duty Services Plan

provisions.

Proposed law provides that for new members of the Hazardous Duty Services Plan, the accrual rate shall be as follows if the member retires pursuant to the Hazardous Duty Services Plan provisions:

- (1) For every year of creditable service less than five years the rate shall equal 2% of average compensation.
- (2) For every year of the 5th through the 9th years of creditable service, the rate shall equal 2.5% of average compensation.
- (3) For every year of the 10th through the 14th years of creditable service, the rate shall equal 3.25% of average compensation.
- (4) For every year of the 15th through the 19th years of creditable service, the rate shall equal 3.75% of average compensation.
- (5) For every year of the 20th through the 24th years of creditable service, the rate shall equal 4% of average compensation.
- (6) For the 25th year of creditable service and for each year of creditable service thereafter, the rate shall equal 4.5% of average compensation.

Present law further provides that if a Hazardous Duty Services Plan member elects to retire under the rank-and-file member provisions, his accrual rate shall be the rank-and-file accrual rate. Proposed law retains present law.

STPOL

Present law provides that members of STPOL have an accrual rate of 3.33% for each year of service.

Proposed law provides that for new members, the accrual rate shall be as follows:

- (1) For every year of creditable service less than five years the rate shall equal 2% of average compensation.
- (2) For every year of the 5th through the 9th years of creditable service, the rate shall equal 2.5% of average compensation.
- (3) For every year of the 10th through the 14th years of creditable service, the rate shall equal 3.25% of average compensation.
- (4) For every year of the 15th through the 19th years of creditable service, the rate shall equal 3.75% of average compensation.
- (5) For every year of the 20th through the 24th years of creditable service, the rate shall equal 4% of average compensation.
- (6) For the 25th year of creditable service and for each year of creditable service thereafter, the rate shall equal 4.5% of average compensation.

Death and Disability Benefits

LASERS

Rank-and-File Members and Judges

Present law, for rank-and-file members of LASERS, provides that disability benefits for such members, if disabled while in active service, shall be calculated using the regular retirement formula, without reduction for reason of age and without regard to the minimum number of years required to receive a benefit. Proposed law requires that the accrual rate for performing such calculation for disability benefits for active new members shall be calculated using the same flat 2.5% accrual rate as for current members.

Present law for LASERS further provides that disability benefits for deferred vested rank-and-file members shall be calculated using a flat 2.5% accrual rate. Proposed law retains present law.

Present law for rank-and-file members of LASERS provides that survivor benefits for members hired on or after Jan. 1, 2011, shall be calculated using the regular retirement formula. Proposed law requires that survivor benefits for beneficiaries of new members shall be calculated using the same flat 2.5% accrual rate as for current members.

Hazardous Duty Members

Present law for members of the Hazardous Duty Services Plan within LASERS provides that disability benefits are calculated as a percentage of average compensation, therefore not requiring an accrual rate in the calculation. Proposed law retains present law for all Hazardous Duty members, regardless of the date of hire.

Present law for members of the Hazardous Duty Services Plan within LASERS provides that survivor benefits for beneficiaries of such members who are killed in the line of duty are based on average compensation, and do not require application of an accrual rate for the determination of the benefit amount. Proposed law retains present law for all Hazardous Duty members, regardless of the date of hire.

Present law for members of the Hazardous Duty Services Plan within LASERS provides that survivor benefits for beneficiaries of such members who are not killed in the line of duty are based on the regular retirement formula. Proposed law requires that the accrual rate to be utilized for calculating benefits for such new member beneficiaries is the same flat 3.33% accrual rate as for current members.

TRSL

Present law for TRSL provides that survivor benefits are calculated using a flat 2.5% accrual rate. Proposed law retains present law for new member survivor benefits, regardless of the date of hire.

Present law for TRSL provides that disability benefits for members hired on or after Jan. 1, 2011, are calculated using the regular retirement formula without reduction by reason of age and without regard to the minimum number of years of service required to receive a regular retirement benefit. Proposed law requires that disability benefits for new members be calculated using the same flat 2.5% accrual rate as for current members.

LSERS

Present law for LSERS provides that disability benefits for members hired after July 1, 2010, to be equivalent to the regular retirement formula without reduction by reason of age and without regard to the minimum number of years of service required to receive a regular retirement benefit. Proposed law requires that disability benefits for new members be calculated using the same flat 2.5% accrual rate as for current members.

Present law for LSERS provides that survivor benefits are calculated as a percentage of the regular retirement benefits the deceased member would have received, without reduction by reason of age and without regard to the minimum number of years of service required to receive a regular retirement benefit. Proposed law requires the survivor benefit calculation for new members to utilize the same flat 2.5% accrual rate as for current members.

STPOL

Present law for STPOL provides that survivor benefits for beneficiaries of members who are not killed in the line of duty who were hired on or after Jan. 1, 2011, are calculated as a percentage of the regular retirement benefit the member would have received had he retired on the date of his death, regardless of years of service or age. Proposed law requires the survivor benefits for such new members to be calculated using the same flat 3.33% accrual rate as for current members.

Present law for STPOL members hired on or after Jan. 1, 2011, provides that survivor benefits for members who are killed in the line of duty is based on a percentage of the deceased member's average compensation, and does not require application of an accrual rate to determine the benefit amount. Proposed law retains present law for all such members, regardless of the date of hire.

Present law for STPOL members hired on or after Jan. 1, 2011, provides that disability benefits for members who become disabled in the line of duty are based on a percentage of average compensation and do not require application of an accrual rate to determine the benefit amount. Further provides that disability benefits for members who become disabled for reasons other than service in the line of duty shall have a disability benefit based on average salary and does not require application of an accrual rate to determine the benefit amount. Proposed law retains present law for all such members, regardless of the date of hire.

Effective June 30, 2016.

(Amends R.S. 11:444(A)(1)(a), 614(B)(2)(b), 615(A), 768(B)(1), 779.1, 1144(B)(2)(a) and (4), and 1345.5; Adds R.S. 11:444(A)(1)(c), 461(C), 471.1(I), 621(D), 1144(B)(5), 1147(D), 1151.1(K), and 1323(J))