

Regular Session, 2012

SENATE BILL NO. 33

BY SENATOR GUILLORY

RETIREMENT SYSTEMS. Requires employers to continue contributing to state and statewide public retirement systems for the duration of DROP participation. (6/30/12)

1 AN ACT

2 To amend and reenact R.S. 11:102(B)(1), 103(B)(1), 448(A), 450(B), 787(A)(1), 1152(E)
3 and (H), 2221(E)(1)(a), and 2257(E), relative to deferred retirement option plans or
4 programs; to provide for employer contributions in state and statewide retirement
5 systems pursuant to such plans or programs; to require employer contributions to
6 continue during any employee's participation in such a plan or program; to provide
7 for an effective date; and to provide for related matters.

8 Notice of intention to introduce this Act has been published.

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 11:102(B)(1), 103(B)(1), 448(A), 450(B), 787(A)(1), 1152(E) and
11 (H), 2221(E)(1)(a), and 2257(E), are hereby amended and reenacted to read as follows:

12 §102. Employer contributions; determination; state systems

13 * * *

14 B.(1) Except as provided in Subsection C of this Section for the Louisiana
15 State Employees' Retirement System and except as provided in R.S. 11:102.1 and
16 102.2 and in Paragraph (5) of this Subsection, for each fiscal year, commencing with
17 Fiscal Year 1989-1990, for each of the public retirement systems referenced in

1 Subsection A of this Section, the legislature shall set the required employer
 2 contribution rate equal to the actuarially required employer contribution, as
 3 determined under Paragraph (3) of this Subsection, divided by the total projected
 4 payroll of all active members of each particular system for the fiscal year. **Active**
 5 **member payroll shall include participants who begin participation in the**
 6 **Deferred Retirement Option Plan on or after July 1, 2013.** Each entity funding
 7 a portion of a member's salary shall also fund the employer's contribution on that
 8 portion of the member's salary at the employer contribution rate specified in this
 9 Subsection.

10 * * *

11 §103. Employer contributions; determination; statewide systems

12 * * *

13 B.(1) Except as provided in Subsection C of this Section, for each fiscal year
 14 beginning with Fiscal Year 1989-1990, for each statewide retirement system, the
 15 employer contribution rate shall equal the actuarially required employer contribution
 16 as determined under Paragraph (3) of this Subsection, divided by the total projected
 17 payroll of all active members of the particular system for the fiscal year. Active
 18 member payroll shall include participants in the Deferred Retirement Option Plan;
 19 ~~but only if direct employer contributions are made based on salaries for such~~
 20 ~~participants.~~

21 * * *

22 §448. Plan participation

23 A. Upon the effective date of commencement of participation in the plan and
 24 during the period of participation in the plan, ~~neither the~~ **no** employee ~~nor the~~
 25 ~~employer~~ contributions shall be payable, and the participant in the plan shall be
 26 considered as a Deferred Retirement Option Plan participant, and except as provided
 27 in R.S. 11:447 through 454, the Deferred Retirement Option Plan participant shall
 28 be treated as a member of the system. **Employer contributions shall continue to**
 29 **be payable by the employer during the person's plan participation.**

* * *

§450. Termination of participation

* * *

B. Upon termination of participation in the plan but not employment, credits to the account shall cease and no retirement benefits shall be paid to the participant until employment is terminated. The balance in the participant's subaccount shall be placed in a self-directed subaccount in the name of the participant as provided for in R.S. 11:451.1, and the participant shall then be bound by the provisions of said Section. No payment shall be made based on credits in the subaccount until employment is terminated as defined in this Section. The participant may continue employment after termination of participation in the plan for the sole purpose of accruing a supplemental benefit, and ~~employer and~~ employee contributions shall resume. Correction officers, probation and parole officers, and security officers of the Department of Public Safety and Corrections; peace officers of the Department of Public Safety and Corrections, office of state police, other than state troopers, as provided in R.S. 11:444(A)(2)(b); and personnel employed by the Department of Revenue, office of alcohol and tobacco control, as provided in R.S. 11:444(A)(2)(c), who have ended their participation in the Deferred Retirement Option Plan but not employment shall make contributions at the rate established in R.S. 11:62(5)(b).

* * *

§787. Plan participation

A.(1) During participation in the plan, although the member shall remain a member of this retirement system, ~~neither no~~ regular member ~~nor employer~~ contributions to the regular plan shall be payable. **Employer contributions shall continue to be payable by the employer during the member's plan participation.**

* * *

§1152. Deferred Retirement Option Plan

* * *

E. Upon the effective date of the commencement of participation in the plan,

1 active membership in the regular retirement plan of the system shall terminate, and
 2 the participant shall be considered by the system to be in a retired status. Employee
 3 ~~and employer~~ contributions to the regular retirement plan shall cease upon the
 4 effective date of the person's commencement of participation in the plan. **Employer**
 5 **contributions shall continue to be payable by the employer during the person's**
 6 **plan participation.** For purposes of this Section, average compensation and
 7 creditable service shall remain as they existed on the effective date of
 8 commencement of participation in the plan. Creditable service shall not include
 9 conversion of sick and annual leave. The monthly retirement benefits that would
 10 have been payable, had the person elected to cease employment and receive a service
 11 retirement allowance, shall be paid into the Deferred Retirement Option Plan Fund
 12 Account which shall be a part of the system fund. This account shall not be subject
 13 to any fees, costs, or expenses of any kind.

14 * * *

15 H. Upon termination of participation in the plan but not employment, credits
 16 to the account shall cease, and no retirement benefits shall be paid to the participant
 17 until employment is terminated. No payment shall be made based on credits in the
 18 account until employment is terminated. ~~Employer and employee~~ **Employee**
 19 contributions shall resume.

20 * * *

21 §2221. Deferred Retirement Option Plan

22 * * *

23 E.(1)(a) Upon the effective date of the commencement of participation in the
 24 plan, membership in the system shall terminate and ~~neither~~ **no** employee ~~nor~~
 25 ~~employer~~ contributions shall be payable. **Employer contributions shall continue**
 26 **to be payable by the employer during the person's plan participation.**

27 * * *

28 §2257. Deferred retirement option plan

29 * * *

1 E. Upon the effective date of the commencement of participation in the plan,
 2 membership in the system shall terminate and ~~neither no~~ employee ~~nor employer~~
 3 contributions shall be payable. **Employer contributions shall continue to be**
 4 **payable by the employer during the person's plan participation.** For purposes of
 5 this Section, compensation and creditable service shall remain as they existed on the
 6 effective date of commencement of participation in the plan. The monthly retirement
 7 benefits that would have been payable, had the member elected to cease employment
 8 and receive a service retirement allowance, shall be paid into the deferred retirement
 9 option plan account. Upon termination of employment, deferred benefits shall be
 10 payable as provided by Subsection H.

11 * * *

12 Section 2. The Public Retirement Systems' Actuarial Committee shall meet as soon
 13 as practicable after the effective date of this Act to adopt a revised valuation for each system
 14 to which the provisions of this Act apply. This valuation shall include a revised employer
 15 contribution rate calculated as provided in R.S. 11:102 or 103 utilizing active member
 16 payroll including participants in the Deferred Retirement Option Plan of each system or each
 17 plan within the system.

18 Section 3. This Act shall become effective on June 30, 2012; if vetoed by the
 19 governor and subsequently approved by the legislature, this Act shall become effective on
 20 June 30, 2012, or on the day following such approval by the legislature, whichever is later.

The original instrument was prepared by Laura Gail Sullivan. The following
 digest, which does not constitute a part of the legislative instrument, was
 prepared by Margaret M. Corley.

DIGEST

Guillory (SB 33)

Present law provides for a program called the Deferred Retirement Option Plan (DROP), or
 a similar program, in each state or statewide retirement system.

Proposed law retains present law.

Present law provides that the following eight state and statewide retirement systems continue
 to receive employer contributions during an employee's participation in DROP or in the
 system's similar program:

1. State Police Pension and Retirement System.

2. Assessors' Retirement Fund.
3. Clerks' of Court Retirement and Relief Fund.
4. District Attorneys' Retirement System.
5. Municipal Employees' Retirement System of Louisiana.
6. Parochial Employees' Retirement System of Louisiana.
7. Registrars of Voters Employees' Retirement System.
8. Sheriffs' Pension and Relief Fund.

Proposed law retains present law.

Present law provides that employer contributions cease during an employee's participation in DROP for the following five state and statewide retirement systems:

1. Louisiana State Employees' Retirement System.
2. Teachers' Retirement System of Louisiana.
3. Louisiana School Employees' Retirement System.
4. Firefighters' Retirement System.
5. Municipal Police Employees' Retirement System of Louisiana.

Proposed law provides that employers shall contribute on employees who begin participation in DROP on or after July 1, 2013, for the five state and statewide retirement systems listed above.

Proposed law provides that provisions of proposed law shall be implemented for the fiscal year beginning July 1, 2012, by requiring the Public Retirement Systems' Actuarial Committee to meet as soon as practicable after the effective date of proposed law to adopt valuations containing contribution rates which account for the provisions of proposed law.

Effective June 30, 2012.

(Amends R.S. 11:102(B)(1), 103(B)(1), 448(A), 450(B), 787(A)(1), 1152(E) and (H), 2221(E)(1)(a), and 2257(E))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Retirement to the original bill

1. Proposed law provides that an employer's contributions on employees who begin participation in DROP on or after July 1, 2013, shall continue throughout the employee's participation in DROP.