

Regular Session, 2012

SENATE BILL NO. 47

BY SENATOR GUILLORY

RETIREMENT SYSTEMS. Provides relative to final average compensation. (6/30/12)

1 AN ACT

2 To amend and reenact R.S. 11:102(B)(1) and (3)(a) and (d)(i), (iv), (v), and (vii) and (C)(2),  
3 (3), and (4)(a), 403(5)(a)(i) and (b)(i) and (ii), and 701(5)(a)(introductory paragraph)  
4 and to enact R.S. 11:102(D) and 701(5)(f) and to repeal R.S. 11:403(5)(b)(iii),  
5 relative to certain members of the Louisiana State Employees' Retirement System  
6 and certain postsecondary education members of the Teachers' Retirement System  
7 of Louisiana; to provide with respect to benefit calculation; to provide an effective  
8 date; and to provide for related matters.

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

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 11:102(B)(1) and (3)(a) and (d)(i), (iv), (v), and (vii) and (C)(2), (3),  
12 and (4)(a), 403(5)(a)(i) and (b)(i) and (ii), and 701(5)(a)(introductory paragraph) are hereby  
13 amended and reenacted and R.S. 11:102(D) and 701(5)(f) are hereby enacted to read as  
14 follows:

15 §102. Employer contributions; determination; state systems

16 \* \* \*

17 B.(1) Except as provided in Subsections C **and D** of this Section ~~for the~~



1 the funding method used by the system as specified in R.S. 11:22, for each fiscal  
2 year beginning after June 30, 1988, such payments to be computed as an amount  
3 forming an annuity increasing at four and one-half percent annually over the later of  
4 a period of fifteen years from the year of occurrence or by the year 2029, such gains  
5 and losses to include any increases in actuarial liability due to governing authority  
6 granted cost-of-living increases.

7 \* \* \*

8 (iv) Except as provided in Items (v), (vi), (vii), and (viii) of this Subparagraph  
9 **and in Subsection D of this Section**, changes in actuarial accrued liability,  
10 computed using the actuarial funding method as specified in R.S. 11:22, due to  
11 legislation changing plan provisions, such payments to be computed in the manner  
12 and over the time period specified in the legislation creating the change or, if not  
13 specified in such legislation, as an amount forming an annuity increasing at four and  
14 one-half percent annually over the later of a period of fifteen years from the year of  
15 occurrence of the change or by the year 2029.

16 (v) ~~Effective~~ **Except as provided in Subsection D of this Section, effective**  
17 July 1, 2004, and beginning with Fiscal Year 1998-1999, the amortization period for  
18 the changes, gains, or losses of the Louisiana State Employees' Retirement System  
19 provided in Items (i) through (iv) of this Subparagraph shall be thirty years, or in  
20 accordance with standards promulgated by the Governmental Accounting Standards  
21 Board, from the year in which the change, gain, or loss occurred. The outstanding  
22 balances of amortization bases established pursuant to Items (i) through (iv) of this  
23 Subparagraph before Fiscal Year 1998-1999, shall be amortized as a level dollar  
24 amount from July 1, 2004, through June 30, 2029. Beginning with Fiscal Year 2003-  
25 2004, and for each fiscal year thereafter, the outstanding balances of amortization  
26 bases established pursuant to Items (i) through (iv) of this Subparagraph shall be  
27 amortized as a level dollar amount. For the Louisiana State Employees' Retirement  
28 System, effective for the June 30, 2010, system valuation and beginning with Fiscal  
29 Year 2011-2012, amortization payments for changes in actuarial liability shall be

1 determined in accordance with Subsection C of this Section.

2 \* \* \*

3 (vii) ~~Effective~~ **Except as provided in Subsection D of this Section,**  
4 **effective** July 1, 2004, and beginning with Fiscal Year 2000-2001, the amortization  
5 period for the changes, gains, or losses of the Teachers' Retirement System of  
6 Louisiana provided in Items (i) through (iv) of this Subparagraph shall be thirty  
7 years, or in accordance with standards promulgated by the Governmental Accounting  
8 Standards Board, from the year in which the change, gain, or loss occurred. The  
9 outstanding balances of amortization bases established pursuant to Items (i) through  
10 (iv) of this Subparagraph before Fiscal Year 2000-2001, shall be amortized as a level  
11 dollar amount from July 1, 2004, through June 30, 2029. Beginning with Fiscal Year  
12 2003-2004, and for each fiscal year thereafter, the outstanding balances of  
13 amortization bases established pursuant to Items (i) through (iv) of this Subparagraph  
14 shall be amortized as a level dollar amount.

15 \* \* \*

16 C. \* \* \*

17 (2) For the Louisiana State Employees' Retirement System, effective for the  
18 June 30, 2010, system valuation and beginning with Fiscal Year 2011-2012, the  
19 normal cost calculated pursuant to Subparagraph (B)(3)(a) of this Section, shall be  
20 calculated separately for each particular plan within the system. An employer shall  
21 pay employer contributions for each employee at the rate applicable to the plan of  
22 which that employee is a member. **Beginning with the June 30, 2012, system**  
23 **valuation, the normal cost for each plan shall be subject to the provisions of**  
24 **Subsection D of this Section.**

25 (3) For the Louisiana State Employees' Retirement System, effective for the  
26 June 30, 2010, system valuation and beginning with Fiscal Year 2011-2012, changes  
27 in actuarial liability due to legislation, changes in governmental organization, or  
28 reclassification of employees or positions shall be calculated individually for each  
29 particular plan within the system based on each plan's actuarial experience as further

1 provided in Subparagraph (4)(c) of this Subsection. **Beginning with the June 30,**  
2 **2012, system valuation, this calculation for each plan shall be subject to the**  
3 **provisions of Subsection D of this Section.**

4 (4) For each plan referenced in Paragraph (1) of this Subsection, the  
5 legislature shall set the required employer contribution rate equal to the sum of the  
6 following:

7 (a) The particularized normal cost rate. The normal cost rate for each fiscal  
8 year shall be the employer's normal cost for the plan computed by applying the  
9 method specified in R.S. 11:102(B)(1) and (3)(a) to the plan. **Beginning with the**  
10 **June 30, 2012, system valuation, the normal cost for each plan shall be subject**  
11 **to the provisions of Subsection D of this Section.**

12 \* \* \*

13 **D. (1) The employer contribution rate for the Louisiana State Employees'**  
14 **Retirement System and the Teachers' Retirement System of Louisiana, for any**  
15 **valuation prepared following enactment of the Act that originated as Senate Bill**  
16 **No. 47 of the 2012 Regular Session, shall be the rate determined pursuant to**  
17 **Subsections B and C of this Section without regard to any gains or changes in**  
18 **the normal cost rate produced by the Act that originated as Senate Bill No. 47**  
19 **of the 2012 Regular Session. Neither the employer normal cost rate nor the**  
20 **amortization payments shall be reduced as a result of the application of the**  
21 **provisions of the Act that originated as Senate Bill No. 47 of the 2012 Regular**  
22 **Session.**

23 **(2) The amortization of any gain produced by the Act which originated**  
24 **as Senate Bill No. 47 of the 2012 Regular Session plus the dollar amount**  
25 **attributable to the difference between the employer normal cost rate required**  
26 **as calculated pursuant to Paragraph (1) of this Subsection minus the employer**  
27 **normal cost rate calculated pursuant to the provisions of Subsections B and C**  
28 **of this Section without regard to Paragraph (1) of this Subsection shall be**  
29 **determined and applied as follows for each year beginning with Fiscal Year**



1 (b)(i) "Average compensation", for a member ~~whose first employment~~  
2 ~~making him eligible for membership in the system began on or after July 1, 2006,~~  
3 ~~and subject to the limitations provided in this Subparagraph, who is not covered by~~  
4 **Subparagraph (a) of this Paragraph** means the average annual earned  
5 compensation ~~of a state employee~~ for the sixty highest months of successive  
6 employment or for the highest sixty successive joined months of employment where  
7 interruption of service occurred; however, average compensation for part-time  
8 employees who do not use sixty months of full-time employment for average  
9 compensation purposes shall be based on the base pay the part-time employee would  
10 have received had he been employed on a full-time basis. This Item shall ~~also~~ be  
11 applicable to any ~~judge, court officer,~~ governor, lieutenant governor, **member of the**  
12 **legislature,** clerk or sergeant-at-arms of the House of Representatives, secretary or  
13 sergeant-at-arms of the Senate, or state treasurer. **This Item shall also be applicable**  
14 **to any judge or court officer** whose first employment making him eligible for  
15 membership in one of the state systems occurred on or after January 1, 2011.

16 (ii) The earnings to be considered for persons to whom Item (i) of this  
17 Subparagraph applies for the thirteenth through the twenty-fourth month shall not  
18 exceed one hundred fifteen percent of the earnings of the first through the twelfth  
19 month. The earnings to be considered for the twenty-fifth through the thirty-sixth  
20 month shall not exceed one hundred fifteen percent of the earnings of the thirteenth  
21 through the twenty-fourth month. The earnings to be considered for the  
22 thirty-seventh through the forty-eighth month shall not exceed one hundred fifteen  
23 percent of the earnings of the twenty-fifth through the thirty-sixth month. The  
24 earnings for the final twelve months shall not exceed one hundred fifteen percent of  
25 the earnings of the thirty-seventh through the forty-eighth month. The limitations  
26 on the computation of average compensation contained in this Item shall not apply  
27 to any twelve-month period during which compensation increased by more than  
28 fifteen percent over the previous twelve-month period solely because of an increase  
29 in compensation by a uniform systemwide increase adopted by the state Department

1 of Civil Service and approved by the governor or because of a pay adjustment  
 2 enacted by the legislature. ~~This Item shall also be applicable to any judge, court~~  
 3 ~~officer, member of the Louisiana Legislature, governor, lieutenant governor, clerk~~  
 4 ~~or sergeant-at-arms of the House of Representatives, secretary or sergeant-at-arms~~  
 5 ~~of the Senate, or state treasurer whose first employment making him eligible for~~  
 6 membership in one of the state systems occurred on or after January 1, 2011.

7 \* \* \*

8 §701. Definitions

9 As used in this Chapter, the following words and phrases have the meanings  
 10 ascribed to them in this Section unless a different meaning is plainly required by the  
 11 context:

12 \* \* \*

13 (5)(a) "Average compensation" subject to the other provisions of this  
 14 Paragraph, for any teacher **not listed in Subparagraph (f) of this Paragraph** whose  
 15 first employment making him eligible for membership in one of the state systems  
 16 occurred on or before December 31, 2010, means the average earnable compensation  
 17 of a teacher for the three highest successive years of employment, or the highest  
 18 three successive joined years of employment where interruption of service occurred.  
 19 For any teacher whose first employment making him eligible for membership in one  
 20 of the state systems occurred on or after January 1, 2011, **and for any teacher listed**  
 21 **in Subparagraph (f) of this Paragraph** "average compensation" means his average  
 22 earnable compensation for the five highest successive years of employment, or the  
 23 highest five successive joined years where interruption of service occurred. The  
 24 computation of such average compensation shall be in accordance with the following  
 25 guidelines:

26 \* \* \*

27 **(f) Regardless of the first date of employment making the teacher eligible**  
 28 **for membership in a state retirement system and except for a member who is**  
 29 **employed by an institution of postsecondary education or a postsecondary**



1 (1) For members entering the Deferred Retirement Option Plan before July 1, 2015,  
2 the period of additional service required and utilized to calculate a revised average  
3 compensation for the supplemental benefit after Deferred Retirement Option Plan  
4 participation shall be equal to thirty-six months plus the number of whole months from July  
5 1, 2013, to the date of Deferred Retirement Option Plan entry.

6 (2) For members entering the plan on or after July 1, 2015, the provisions of this Act  
7 shall apply.

8 Section 6. The Public Retirement Systems' Actuarial Committee may adopt an  
9 actuarial valuation to be utilized in the fiscal year which begins on July 1, 2013, calculated  
10 in accordance with R.S. 11:102, which has been prepared on behalf of the division of  
11 administration by a member of the American Academy of Actuaries who meets the  
12 qualification requirements of the academy to issue a particular statement of actuarial  
13 opinion.

14 Section 7. Because the legislature finds and declares that questions of law may be  
15 raised by some persons with respect to the constitutionality of some of the provisions of this  
16 Act, the public welfare requires that such questions of law be resolved with expedition prior  
17 to such time as its provisions take effect in order to avoid disruption of the orderly  
18 implementation of its provisions. Therefore, the legislature finds that an expedited hearing  
19 schedule for actions filed relative to the constitutionality of any provision of this Act should  
20 be immediately made available in order to avoid confusion by the public. Therefore, any  
21 domiciliary of this state may institute an action in the Nineteenth Judicial District Court  
22 seeking a declaratory judgment to determine the constitutionality of the provisions of this  
23 Act. In the interest of further expediting this procedure, the Nineteenth Judicial District  
24 Court, First Circuit Court of Appeal, and Louisiana Supreme Court are urged to minimize  
25 all unnecessary delays in order to resolve any questions of law no later than thirty days prior  
26 to the prefiling deadline for retirement legislation for the 2013 regular legislative session,  
27 and the courts may suspend all applicable rules of court for this limited purpose.

28 Section 8. If a final judgment declares any of the provisions of this Act  
29 unconstitutional or unconstitutional as applied to a particular class of employees, the other

1 provisions of this Act shall remain in effect and also shall be applicable to all other classes  
2 of employees unrelated to the judgment.

3 Section 9. The provisions of this Act and the provisions of the Acts which originated  
4 as Senate Bill No. 749 and Senate Bill No. 52 of the 2012 Regular Session shall not apply  
5 to any member of the Teachers' Retirement System of Louisiana whose membership in the  
6 system is based solely on employment as a teacher in a public elementary or secondary  
7 school.

8 Section 10. The provisions of this Act shall become effective on June 30, 2012; if  
9 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
10 effective on June 30, 2012, or on the day following such approval by the legislature,  
11 whichever is later.

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The original instrument and the following digest, which constitutes no part  
of the legislative instrument, were prepared by Laura Gail Sullivan.

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#### DIGEST

Guillory (SB 47)

Present law generally provides for a benefit calculation formula for members of each state system including the Louisiana State Employees' Retirement System (LASERS) and the Teachers' Retirement System of Louisiana (TRSL), typically consisting of:

(years of service) x (accrual rate) x (final average compensation (FAC))

Present law (R.S. 11:403(5) and 701(5)), relative to LASERS and TRSL, provides varying periods of FAC for members of those systems of either 36 or 60 months.

Persons with a 36-month FAC period in present law include:

1. Rank-and-file members of LASERS hired on or before June 30, 2006.
2. Certain elected officials whose state system membership began before Jan. 1, 2011, including:
  - (a) Governor.
  - (b) Lieutenant governor.
  - (c) Legislators.
  - (d) Judges.
  - (e) Treasurer.
3. Certain persons in public safety positions whose state system membership began before Jan. 1, 2011, including:

- (a) Wildlife agents.
  - (b) Corrections officers.
  - (c) Alcohol-Tobacco Control agents.
  - (d) Probation and parole officers.
  - (e) Bridge police.
4. All members of TRSL whose state system membership began before Jan. 1, 2011.

Persons with a 60-month FAC period in present law include:

- 1. Rank-and-file members of LASERS hired after June 30, 2006.
- 2. Elected officials whose state system membership began on or after Jan. 1, 2011, including those listed in (2) above.
- 3. Members of the Hazardous Duty Services Plan in LASERS, which includes all persons in (3) above whose state system membership began on or after Jan. 1, 2011.
- 4. All TRSL members whose state system membership began on or after Jan. 1, 2011.

Proposed law retains present law 36-month FAC period for LASERS members who are in "hazardous duty" jobs and for pre-K-12 members of TRSL who have the 36 month FAC currently.

Proposed law further provides that all "non-hazardous duty" employees in LASERS and higher education employees in TRSL shall have a five-year FAC, regardless of the date of hire.

Proposed law specifies that a person who retires on or before June 30, 2013, shall have a 36-month FAC, and that a person who retires on or after July 1, 2015, shall have a 60-month FAC. For any person who retires between the two dates, the FAC period shall be 36 plus the number of whole months that have elapsed since July 1, 2013.

Proposed law provides that in order to have the benefit of a revised FAC for the supplemental benefit, a Deferred Retirement Option Plan participant must continue working after DROP for a period of months that equals or exceeds the FAC period used to calculate his benefit upon DROP entry.

Proposed law provides for actuarial calculation of required employer contributions that retain any "savings" from proposed law within the system trust.

Proposed law provides for an expedited hearing process if proposed law is subjected to legal challenges. Provides for severability if a court declares any provisions of proposed law to be unconstitutional as applicable to certain members of LASERS and TRSL, retaining application of the Act to the remaining members of the system.

Effective June 30, 2012.

(Amends R.S. 11:102(B)(1) and (3)(a) and (d)(i), (iv), (v), and (vii) and (C)(2), (3), and (4)(a), 403(5)(a)(i) and (b)(i) and (ii) and 701(5)(a)(intro para); adds R.S. 11:102(D) and 701(5)(f); repeals R.S. 11:403(5)(b)(iii))

Summary of Amendments Adopted by SenateCommittee Amendments Proposed by Senate Committee on Retirement to the original bill

1. Makes technical corrections.
2. Provides for an expedited hearing process.
3. Expands the agencies which may present actuarial valuations to the Public Retirement Systems' Actuarial Committee for consideration to include the division of administration, for purposes of determining the employer contribution rate to be remitted for the fiscal year beginning July 1, 2012.

Committee Amendments Proposed by Senate Committee on Finance to the engrossed bill

1. Provides for implementation to begin July 1, 2013. Deletes requirement for the Public Retirement Systems' Actuarial Committee to meet for the purpose of adopting a revised valuation, which was made superfluous by the delayed implementation date.
2. Provides for phase-in of the 60-month FAC period in one-month increments beginning July 1, 2013.
3. Specifies that a member's post-DROP supplemental benefit will be calculated with a post-DROP FAC if the member remains employed after DROP for a period that equals or exceeds the number of months used to calculate his pre-DROP FAC.
4. Provides a mechanism for any "savings" produced by proposed law to remain with the system and to be applied to reduce that system's unfunded accrued liability (UAL).
5. Specifies that proposed law applies to elected officials in office on June 30, 2013; provides, however, for such elected officials to opt out of proposed law by filing a written request with his retirement system.