

2016 Regular Session

SENATE BILL NO. 3

BY SENATOR PEACOCK

FIREFIGHTERS RETIREMENT. Provides benefits for members hired on or after January 1, 2017. (6/30/16)

1 AN ACT

2 To amend and reenact the introductory paragraph of R.S. 11:2252, 2252(4), 2256(A), and
3 2257(K)(3)(a) and (b), relative to the Firefighters' Retirement System; to provide for
4 definitions; to provide for eligibility, benefits, and accrual rates; to provide for an
5 effective date; and to provide for related matters.

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

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. The introductory paragraph of R.S. 11:2252, 2252(4), 2256(A), and
9 2257(K)(3)(a) and (b) are hereby amended and reenacted to read as follows:

10 §2252. Definitions

11 The following words and phrases, as used in this Chapter, unless a different
12 meaning is plainly required by context, shall have the following meanings:

13 * * *

14 (4)(a) "Average final compensation", for a member whose first
15 employment making him eligible for membership in the system began on or
16 before December 31, 2016, shall mean the average annual earned compensation of
17 an employee for any period of thirty-six successive or joined months of service as

1 an employee during which the said earned compensation was the highest. In case of
 2 interruption of employment, the thirty-six month period shall be computed by joining
 3 employment periods immediately preceding and succeeding the interruption. The
 4 earnings to be considered for the thirteenth through the twenty-fourth months shall
 5 not exceed one hundred fifteen percent of the earnings for the first through the
 6 twelfth months. The earnings to be considered for the final twelve months shall not
 7 exceed one hundred fifteen percent of the earnings of the thirteenth through the
 8 twenty-fourth months.

9 **(b) "Average final compensation", for a member whose first employment**
 10 **making him eligible for membership in the system began on or after January**
 11 **1, 2017, shall mean the average annual earned compensation of an employee for**
 12 **any period of sixty successive or joined months of service as an employee during**
 13 **which the earned compensation was the highest. In case of interruption of**
 14 **employment, the sixty-month period shall be computed by joining employment**
 15 **periods immediately preceding and succeeding the interruption. The earnings**
 16 **to be considered for the thirteenth through the twenty-fourth months shall not**
 17 **exceed one hundred fifteen percent of the earnings of the first through the**
 18 **twelfth months. The earnings to be considered for the twenty-fifth through the**
 19 **thirty-sixth months shall not exceed one hundred fifteen percent of the earnings**
 20 **of the thirteenth through the twenty-fourth months. The earnings to be**
 21 **considered for the thirty-seventh through the forty-eighth months shall not**
 22 **exceed one hundred fifteen percent of the earnings of the twenty-fifth through**
 23 **the thirty-sixth months. The earnings to be considered for the final twelve**
 24 **months shall not exceed one hundred fifteen percent of the earnings of the**
 25 **thirty-seventh through the forty-eighth months.**

26 * * *

27 §2256. Benefits; refund of contributions, application, and payment

28 A.(1)(a) Any member of this system **whose first employment making him**
 29 **eligible for membership in the system began on or before December 31, 2016,**

1 who has completed at least twenty-five years of creditable service, who has been a
2 member of this system for at least one year, regardless of age, ~~or any~~ shall be
3 eligible to retire from service.

4 (b) Any member who has completed at least twenty years of creditable
5 service, who has been a member of this system for at least one year, and who has
6 attained the age of fifty years, or any member who has completed at least twelve
7 years of service, who has been a member of this system for at least one year, and
8 who has attained the age of fifty-five shall be entitled to retire from service.

9 (2) Any member who has completed twenty or more years of creditable
10 service, and at least one year of which shall be as a member of this system, and who
11 leaves employment covered by this system before attaining age fifty shall be entitled
12 to a retirement benefit beginning at age fifty. Any member who has completed
13 twelve years of creditable service, and at least one year of which shall be as a
14 member of this system, and who leaves employment covered by this system before
15 attaining age fifty-five shall be entitled to a retirement benefit beginning at age
16 fifty-five.

17 (3) Any member who has completed twenty or more years of creditable
18 service and who leaves employment covered by this system before attaining age fifty
19 or any member who has completed twelve or more years of creditable service and
20 who leaves employment covered by this system before attaining age fifty-five may
21 select, at any time prior to thirty days before the date that benefits are scheduled to
22 commence to the member, any optional retirement allowance as provided for in R.S.
23 11:2259; within the same time period allowed above, the member may change the
24 option selected or the beneficiary of the option selected. However, in the event of the
25 death of the member after the selection of the option but prior to the commencement
26 of benefits, the optional benefit will become payable to the option beneficiary, at the
27 time the member would have otherwise begun to receive benefits. In the event that
28 the member selects neither the maximum regular retirement benefit nor an optional
29 retirement allowance within the time period allowed above, Option 2 will be

1 automatically assumed to have been selected and the member's designated
2 beneficiary shall be the beneficiary of the option. However, in the event that a
3 member has no designated beneficiary, the accumulated contributions of the member
4 shall be refunded to his estate immediately upon receipt of proof of death.

5 (4)(a) Upon such retirement, the member **whose first employment making**
6 **him eligible for membership in the system began on or before December 31,**
7 **2016,** shall be paid an annual retirement allowance equal to three and one-third
8 percent of his average final compensation multiplied by his total years of creditable
9 service. However, the annual retirement allowance shall not exceed one hundred
10 percent of his average final compensation. The member shall not be paid any amount
11 in excess of the maximum amount permitted under Section 415 of the Internal
12 Revenue Code of 1986, as amended. The foregoing sentence shall not prohibit
13 payments to a member from an excess benefit plan established pursuant to Section
14 415(m) of the Internal Revenue Code of 1986, as amended, as provided in ~~Section~~
15 ~~2272 of this Chapter~~ **R.S. 11:2272.**

16 (b) **Upon such retirement, the member whose first employment making**
17 **him eligible for membership in the system began on or after January 1, 2017,**
18 **shall be paid an annual retirement allowance equal to three percent of his**
19 **average final compensation multiplied by his total years of creditable service.**
20 **Any member who retires or enters the deferred retirement option plan with**
21 **thirty or more years of creditable service shall be paid an annual retirement**
22 **allowance equal to three and one-third percent of his average final**
23 **compensation multiplied by his total years of creditable service. However, the**
24 **annual retirement allowance shall not exceed one hundred percent of his**
25 **average final compensation. The member shall not be paid any amount in excess**
26 **of the maximum amount permitted under Section 415 of the Internal Revenue**
27 **Code of 1986, as amended. The foregoing sentence shall not prohibit payments**
28 **to a member from an excess benefit plan established pursuant to Section 415(m)**
29 **of the Internal Revenue Code of 1986, as amended, as provided in R.S. 11:2272.**

1 (5) Upon returning to work as a full-time employee covered by this system,
2 retirement benefits shall cease and the employee and employer shall contribute to the
3 system towards creditable service. The member may not change the option which
4 was selected under the first retirement computation.

5 * * *

6 §2257. Deferred retirement option plan

7 * * *

8 K.(1)

* * *

9 (3) Upon termination of employment, he shall receive an additional
10 retirement benefit based on his additional service rendered since termination of
11 participation in the fund, using the normal method of computation of benefit, subject
12 to the following:

13 (a) If his period of additional service is less than ~~thirty-six months~~ his
14 average final compensation period, the average compensation figure used to
15 calculate the additional benefit shall be that used to calculate his original benefit.

16 (b) If his period of additional service is ~~thirty-six or more months~~ equal to
17 or longer than his average final compensation period, the average compensation
18 figure used to calculate the additional benefit shall be based on his compensation
19 during the period of additional service.

20 * * *

21 Section 2. This Act shall become effective June 30, 2016; if vetoed by the governor
22 and subsequently approved by the legislature, this Act shall become effective on June 30,
23 2016, or on the day following such approval by the legislature, whichever is later.

The original instrument and the following digest, which constitutes no part
of the legislative instrument, were prepared by Margaret M. Corley.

SB 3 Original DIGEST 2016 Regular Session Peacock

Present law defines "average final compensation" (AFC) for a member of the Firefighters' Retirement System (FRS) as the average of the 36 highest-paid months of employment. Proposed law retains present law for members hired on or before Dec. 31, 2016.

Proposed law defines "average final compensation" (AFC) for any member hired on or after

Jan. 1, 2017, as the average of the 60 highest-paid months of employment.

Present law contains restrictions on "spiking" salaries of employees so that, year over year, a member's salary used to compute benefits cannot increase more than 15% over the prior year's salary. Proposed law retains present law.

Present law establishes retirement eligibility for FRS members:

- (1) 25 or more years of service at any age.
- (2) 20 or more years of service at age 50.
- (3) 12 or more years of service at age 55.

Proposed law retains present law for members hired on or before Dec. 31, 2016.

Proposed law establishes retirement eligibility for FRS members hired on or after Jan. 1, 2017:

- (1) 20 or more years of service at age 50.
- (2) 12 or more years of service at age 55.

Present law provides that the maximum retirement benefit is calculated as follows:

accrual rate x years of service x average final compensation

Proposed law retains present law.

Present law provides a 3⅓% accrual rate for all years of service for members in FRS.

Proposed law retains present law for members hired on or before December 31, 2016.

Proposed law generally provides a 3% accrual rate for FRS members hired on or after Jan. 1, 2017; however, for a member who earns 30 years of service credit, proposed law provides a 3⅓% accrual rate for all years.

Present law provides that any member who continues employment following participation in the deferred retirement option plan (DROP) shall receive an additional benefit based on the post-DROP service.

Proposed law retains present law.

Present law provides that the AFC used to calculate the DROP benefit shall also be used to calculate the additional benefit, if the post-DROP service is less than 36 months (the AFC period under present law). Specifies, however, that if the period of service after DROP is 36 months or more, then the AFC used to calculate the additional benefit shall be based on compensation received during the post-DROP employment.

Proposed law provides for purposes of post-DROP benefits and service, the member's AFC period whether 36 months for members hired on or before Dec. 31, 2016, or 60 months for members hired on or after Jan. 1, 2017, applies to determine the calculations or the AFC for additional benefit.

Effective June 30, 2016.

(Amends R.S. 11:2252(intro para) and (4), 2256(A), and 2257(K)(3)(a) and (b))