

Regular Session, 2012

SENATE BILL NO. 52

BY SENATOR GUILLORY

RETIREMENT SYSTEMS. Increases the employee contribution rate for certain members of state retirement systems. (7/1/12)

1 AN ACT

2 To amend and reenact R.S. 11:62(5)(a), (c), and (e) and (11)(c) and to enact R.S.
3 11:62(11)(d) and 102(D), relative to certain members of the Louisiana State
4 Employees' Retirement System and certain postsecondary education members of the
5 Teachers' Retirement System of Louisiana; to increase employee contribution rates;
6 and to provide for related matters.

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

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 11:62(5)(a), (c), and (e) and (11)(c) are hereby amended and
10 reenacted and R.S. 11:62(11)(d) and 102(D) are hereby enacted to read as follows:

11 §62. Employee contribution rates established

12 Employee contributions to state and statewide public retirement systems shall
13 be paid at the following rates, except as otherwise provided by law:

14 * * *

15 (5) Louisiana State Employees' Retirement System:

16 (a) Judges, court officers, the governor, lieutenant governor, and legislators:

17 (i) **Judges and court officers whose first employment making them**

1 **eligible for membership in one of the state systems occurred on or before**
 2 **December 31, 2010 - 11.5%.**

3 **(ii) Employees, other than judges and court officers in Item (i) of this**
 4 **Subparagraph,** whose first employment making them eligible for membership in
 5 one of the state systems occurred on or before December 31, 2010—:

6 **(aa) Until the later of June 30, 2014, or the date in (bb) - 11.5%.**

7 **(bb) Beginning the July first following the employee's first merit increase**
 8 **of a minimum of four percent awarded on or after July 2, 2013, the employee's**
 9 **contribution rate shall increase by 0.5% each fiscal year for four consecutive**
 10 **years.**

11 ~~(ii)~~ **(iii)** Employees, other than judges in Item ~~(iii)~~ **(iv)** of this Subparagraph,
 12 whose first employment making them eligible for membership in one of the state
 13 systems occurred on or after January 1, 2011—:

14 **(aa) Until the later of June 30, 2014, or the date in (bb) - 8%.**

15 **(bb) Beginning the July first following the employee's first merit increase**
 16 **of a minimum of four percent awarded on or after July 2, 2013, the employee's**
 17 **contribution rate shall increase by 0.5% each fiscal year for four consecutive**
 18 **years.**

19 ~~(iii)~~ **(iv)** Judges holding positions specified in R.S. 11:553(1), (3) through (5),
 20 (7), and (10) through (15) whose first employment making them eligible for
 21 membership in one of the state systems occurred on or after January 1, 2011 - 13%.

22 * * *

23 (c) Clerk and sergeant at arms of the House of Representatives and secretary
 24 and sergeant at arms of the Senate:

25 (i) Employees whose first employment making them eligible for membership
 26 in one of the state systems occurred on or before December 31, 2010—:

27 **(aa) Until the later of June 30, 2014, or the date in (bb) - 9.5%.**

28 **(bb) Beginning the July first following the employee's first merit increase**
 29 **of a minimum of four percent awarded on or after July 2, 2013, the employee's**

1 **contribution rate shall increase by 0.5% each fiscal year for four consecutive**
2 **years.**

3 (ii) Employees whose first employment making them eligible for membership
4 in one of the state systems occurred on or after January 1, 2011~~;~~

5 **(aa) Until the later of June 30, 2014, or the date in (bb) - 8%.**

6 **(bb) Beginning the July first following the employee's first merit increase**
7 **of a minimum of four percent awarded on or after July 2, 2013, the employee's**
8 **contribution rate shall increase by 0.5% each fiscal year for four consecutive**
9 **years.**

10 * * *

11 (e) All others:

12 (i) **Members of the optional retirement plan - 7.5%.**

13 ~~(ii) Employed~~ **Employees who are not members of the optional retirement**
14 **plan employed** on or before June 30, 2006~~;~~

15 **(aa) Until the later of June 30, 2014, or the date in (bb) - 7.5%.**

16 **(bb) Beginning the July first following the employee's first merit increase**
17 **of a minimum of four percent awarded on or after July 2, 2013, the employee's**
18 **contribution rate shall increase by 0.5% each fiscal year for four consecutive**
19 **years.**

20 ~~(ii)~~ ~~(iii)~~ ~~Employed~~ **Employees who are not members of the optional**
21 **retirement plan employed** on or after July 1, 2006~~;~~

22 **(aa) Until the later of June 30, 2014, or the date in (bb) - 8%.**

23 **(bb) Beginning the July first following the employee's first merit increase**
24 **of a minimum of four percent awarded on or after July 2, 2013, the employee's**
25 **contribution rate shall increase by 0.5% each fiscal year for four consecutive**
26 **years.**

27 * * *

28 (11) Teachers' Retirement System of Louisiana:

29 * * *

1 (c) Except as provided in Subparagraph (d) of this Paragraph, members who
2 are employees of an institution of postsecondary education, the Board of Regents,
3 or a postsecondary education management board who are not members of the
4 optional retirement plan:

5 **(i) Until the later of June 30, 2014, or the date in (ii) - 8%.**

6 **(ii) Beginning the July first following the employee's first merit increase**
7 **of a minimum of four percent awarded on or after July 2, 2013, the employee's**
8 **contribution rate shall increase by 0.5% each fiscal year for four consecutive**
9 **years.**

10 **(d) All others, including members employed by institutions of**
11 **postsecondary education or postsecondary education management boards for**
12 **the sole purpose of providing instruction or administrative services at the**
13 **primary or secondary level, including at any lab school and the Louisiana**
14 **School for Math, Science, and the Arts, - 8%.**

15 * * *

16 §102. Employer contributions; determination; state systems

17 * * *

18 **D.(1) Notwithstanding any provision of this Section, R.S. 11:102.1, or**
19 **R.S. 11:102.2 to the contrary, the additional contributions to the Louisiana State**
20 **Employees' Retirement System and the Teachers' Retirement System of**
21 **Louisiana resulting from R.S. 11:62 as amended by the Act which originated as**
22 **Senate Bill No. 52 of the 2012 Regular Session, net of the increase in reserve**
23 **necessary to fund the increase in future refunds to employees, shall be applied**
24 **to the outstanding balance of the original amortization base of each system**
25 **without reamortization of such base and until the base is fully liquidated.**

26 **(2) After liquidation of the original amortization base, the additional**
27 **contributions shall be applied to the outstanding balance of the experience**
28 **account amortization base without reamortization of such base and until such**
29 **base is fully liquidated.**

1 **(3) After the liquidation of the experience account amortization base, the**
2 **additional contributions shall continue to be applied toward the balance of the**
3 **oldest outstanding positive amortization base until all such bases are fully**
4 **liquidated.**

5 Section 2. The Public Retirement Systems' Actuarial Committee may adopt an
6 actuarial valuation to be utilized in the fiscal year which begins on July 1, 2013, calculated
7 in accordance with R.S. 11:102, which has been prepared on behalf of the Division of
8 Administration by a member of the American Academy of Actuaries who meets the
9 qualification requirements of the academy to issue a particular statement of actuarial
10 opinion.

11 Section 3.(A) Because the legislature finds and declares that questions of law may
12 be raised by some persons with respect to the constitutionality of some of the provisions of
13 this Act, the public welfare requires that such questions of law be resolved with expedition
14 prior to such time as its provisions take effect in order to avoid disruption of the orderly
15 implementation of its provisions. Therefore, the legislature finds that an expedited hearing
16 schedule for actions filed relative to the constitutionality of any provision of this Act should
17 be immediately made available in order to avoid confusion by the public. Therefore, any
18 domiciliary of this state may institute an action in the Nineteenth Judicial District Court
19 seeking a declaratory judgment to determine the constitutionality of the provisions of this
20 Act. In the interest of further expediting this procedure, the Nineteenth Judicial District
21 Court, First Circuit Court of Appeal, and Louisiana Supreme Court are urged to minimize
22 all unnecessary delays in order to resolve any questions of law no later than thirty days prior
23 to the prefiling deadline for retirement legislation for the 2013 regular legislative session,
24 and the courts may suspend all applicable rules of court for this limited purpose.

25 (B) The retirement systems shall provide for the orderly and equitable
26 implementation of the provisions of this Act. Such implementation shall be consistent with
27 the duties required of the systems' fiduciaries. Notwithstanding any other provision of this
28 Act or law to the contrary, and if required by the duties of the systems' fiduciaries, the
29 implementation of this Act may be delayed until a final nonappealable judgment is rendered

1 in any action instituted on or before June 30, 2013, challenging the constitutionality of the
2 provisions of this Act.

3 Section 4. If a final judgment declares the provisions of this Act unconstitutional as
4 they relate to a particular group of employees, the provisions of this Act shall remain in
5 effect and applicable to employees unrelated to the judgment.

6 Section 5. The provisions of this Act and the provisions of the Acts which originated
7 as Senate Bill No. 47 and Senate Bill No. 749 of the 2012 Regular Session shall not apply
8 to any member of the Teachers' Retirement System of Louisiana whose membership in the
9 system is based solely on employment in a public elementary or secondary school.

10 Section 6. The provisions of this Act shall not be applied to any employee for any
11 fiscal year in which the average of the actuarially required payments for the unfunded
12 accrued liability for the previous four fiscal years is less than the average of the actuarially
13 required payment for the four fiscal years that precede the current valuation year.

14 Section 7. This Act shall become effective on July 1, 2012; if vetoed by the governor
15 and subsequently approved by the legislature, this Act shall become effective on July 1,
16 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 J. W. Wiley.

DIGEST

Guillory (SB 52)

Present law establishes the rates at which members of retirement systems contribute to their retirement plans ranging from 7.5% to 11.5%.

Proposed law increases the contribution rates for members of the Louisiana State Employees' Retirement System (LASERS) who are employed in "nonhazardous" positions and the Teachers' Retirement System of Louisiana (TRSL) who are employed in higher education by 2 percentage points in four steps of 0.5% each. Further provides that proposed law will not occur until the later of June 30, 2014, or beginning the July first following the employee's first merit increase of a minimum of four percent awarded on or after July 2, 2013.

Proposed law does not increase contribution rates for the following LASERS employees in hazardous duty jobs including certain public safety service employees and peace officers, wildlife agents, bridge police, members of the Hazardous Duty Services Plan. Also does not increase contributions for members of the optional retirement plan.

Proposed law specifies that the additional employee contributions resulting from proposed law shall be applied to the unfunded accrued liability (UAL) of each system, without

reamortization, until all such liability is fully liquidated.

Present law provides that valuations shall be presented by the Legislative Auditor's Office and the retirement system to the Public Retirement Systems' Actuarial Committee (PRSAC) for consideration. Proposed law expands the agencies which may present actuarial valuations to the Committee for consideration to include the Division of Administration, for the fiscal year beginning July 1, 2013.

Proposed law provides for an expedited hearing process if proposed law is subjected to legal challenge and provides that the implementation of proposed law may be delayed until a final nonappealable judgment is rendered in any such action instituted on or before June 30, 2013.

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 proposed law to the remaining members of the system.

Proposed law will not be applied to any employee for any fiscal year in which the average of the actuarially required payments for the UAL for the previous four fiscal years is less than the average of the actuarially required payment for the four fiscal years that precede the current valuation year.

Effective July 1, 2012.

(Amends R.S. 11:62(5)(a), (c), and (e) and (11)(c); adds R.S. 11:62(11)(d) and 102(D))

Summary of Amendments Adopted by Senate

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

1. Provides that, instead of reducing the employer contribution requirements, the additional employee contributions shall be applied to the net remaining balance of the 1988 unfunded accrued liability (UAL) without reamortization of that base until the debt is fully liquidated.
2. Includes the current governor in application of proposed law.
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.
4. Provides for an expedited hearing process.

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

1. Reduces the increased employee contribution amount from 3% of pay to 2% of pay.
2. Phases in, over four years, beginning July 1, 2013, with 0.5% increases.
3. Retains all future "savings" generated by proposed law in the system trust fund.

Senate Floor Amendments to reengrossed bill

1. Makes technical corrections.
2. Provides requirements for when the employee contribution rates will increase.
3. Changes "outstanding amortization" to "outstanding positive amortization".
4. Provides that implementation of proposed law may be delayed until a final nonappealable judgment is rendered in any legal challenge instituted on or before June 30, 2013.
5. Provides an exception to proposed law for employees based on the average of the actuarially required payment for the UAL for the previous four fiscal years.