LASERS
Louisiana State Employees' Retirement System
8401 United Plaza Blvd. • Baton Rouge, LA 70809
Web: www.lasersonline.org
Mail: P.O. Box 44213 • Baton Rouge, LA 70804-4213
Phone: (toll-free) 1.800.256.3000 • (local) 225.922.0600

Liaison Memorandum
Number: 09-18

To: Agency Liaison and Payroll Officers

From: Cindy Rougeou
Executive Director

Subject: 2009 Legislative Session Bills Affecting LASERS

Date: August 7, 2009

In an environment of shrinking state revenues where legislators were debating ways to downsize government, LASERS was challenged on many fronts to show that the System is serving Louisiana in a cost-effective manner, serving members efficiently, and managing its investments prudently in the face of a national economic downturn. LASERS did not sponsor any bills, but played defense on several fronts. Bills to consolidate the state's four largest retirement systems (including LASERS), to suspend its Deferred Retirement Option Plan (DROP), and to direct more investment transactions to Louisiana broker-dealers were introduced, then set aside for future study. Final action was taken on a series of other measures that affect LASERS:

House Concurrent Study Resolution 1 of 2009
Requests the House and Senate Committees on Retirement to study whether new employees eligible for the four state retirement systems, hired on or after July 1, 2010, should be enrolled in a defined contribution plan, instead of a defined benefit plan. A joint committee report is due to the full legislature before the 2010 Regular Session.

House Resolution 82 of 2009

Requests the House Commerce and Retirement Committees to jointly study and make recommendations on the cost of state retirement systems doing business with Louisiana broker-dealers.

Act 270 of 2009 (House Bill 96)

Provides for a guaranteed 2.5 percent cost-of-living adjustment (COLA) for members of state and statewide retirement systems, with an actuarial reduction of benefits. At retirement, members will be given the option to choose a lower monthly benefit with a guaranteed annual COLA. In addition to the guaranteed self-funded COLAs, members choosing this option will receive COLAs funded by the system.

Act 144 of 2009 (House Bill 586)

This bill applies to certain LASERS and TRSL (Teachers' Retirement System of Louisiana) retirees, beneficiaries, and survivors with a benefit below $1,200 a month. It grants a minimum benefit increase for those meeting several requirements, including: having 30 or more years of service credit, being at least 60 years of age, and having been retired for at least 15 years. The increase will be $300 a month or the amount necessary to bring the monthly benefit to $1,200, whichever is less. These benefits will be funded for LASERS members through excess investment earnings held in the system's Experience Account.

Act 301 of 2009 (House Bill 673)

With anticipated cost-cutting at the state's public colleges and universities, this bill provides a mechanism for employees at those higher learning institutions, as well as their management boards, to continue making contributions to the retirement system for up to 30 days while furloughed as a result of budget reductions. Employees will be asked to complete an application form if they are furloughed, indicating whether they wish to take advantage of these provisions. LASERS employees should note that the statutory method of rounding service credit may lead to the same result as contributing on time. However, members closer to retirement should consider how a furlough will impact their final average compensation calculation. Under IRS rules, employees are limited to a total of five years of time not actually worked that can be purchased. Contributions on furloughed time will count towards these limits, and may impact eligibility to purchase other credits such as "Air Time." Also, if a member has previously purchased the maximum five years, they are ineligible to contribute on any days furloughed.

Act 299 of 2009 (House Bill 649)
Creates a special fund in the state treasury from a new $65 processing fee charged by Probation and Parole. The purpose of this measure is to determine if sufficient funds can be generated to provide for a retroactive enhanced benefit for certain probation and parole officers.

Act 497 of 2009 (Senate Bill 296)
This measure creates a new payment schedule for the state in paying down the debt of LASERS and TRSL, resulting in more affordable annual payments. It also changes the mechanism for funding cost-of-living adjustments (COLAs), and changes the name of those increases to a Permanent Benefit Increase. It requires that retirees be age 60, instead of 55, to qualify for the Permanent Benefit Increase.

House Bill 513 of 2009 (Vetoed by Governor Bobby Jindal)
Intended as a vehicle to reduce the state workforce, this measure would have revived an early retirement option for members of LASERS, allowing a member to retire at age 50 with 10 years of service credit with an actuarial reduction in benefits. Those choosing the option would not be re-employed for two years, and their position would be abolished pending further review.