

LIAISON MEMORANDUM NUMBER 11-19

To: Agency Liaison Officers

From: Cindy Rougeou
Executive Director

Re: 2011 Legislation

Date: July 1, 2011

The 2011 Regular Session of the Louisiana Legislature included a number of pieces of legislation that would have affected the Louisiana State Employees' Retirement System (LASERS) and its members.

Bills which would have created a new tier of LASERS membership, increased employee contribution rates, and changed the calculation of final average compensation for members did not make it through the process.

Legislation that did pass includes **House Bills 384 and 435** which would dedicate a minimum of surplus funds to the unfunded accrued liability of LASERS and the Teachers' Retirement System. Implementation of the proposal requires passage of a constitutional amendment which will be on the October 22, 2011, ballot.

Legislation which also passed is **Senate Bill 9 (ACT 322) – allowing purchase of air time for retirement eligibility.**

Other pieces of legislation which passed, and are awaiting action by the Governor, are:

- **House Bill 377 – dealing with calculation of retirement benefits for legislators elected after July 1, 2011**

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- **House Bill 404—allowing purchase of service credit by LASERS members who had previous service in a federal retirement system**
- **House Bill 478 – providing enhanced retroactive benefits for adult probation and parole officers**
- **House Bill 571 – containing clean-up provisions for Act 992 of 2010**

SB 9, regarding the purchase of air time for retirement eligibility, will be the primary topic of this memorandum.

SB 9 has been signed by the Governor and has an effective date of **July 1, 2011**.

The air time for retirement eligibility purchases allowed under SB 9 will be in addition to the purchase of air time for computation of benefits currently allowed. Members who previously purchased air time for computation purchases, and have not yet retired, will be eligible to pay to upgrade that air time for eligibility.

In order to purchase air time, a member must have at least five years of service credit in LASERS. Purchases may be of up to five years of service credit, in one-year increments. Five years is the maximum amount of air time which may be purchased, whether the time is purchased for computation purposes or retirement eligibility. For example, if a member has already purchased five years of air time for computation purposes they may upgrade that time, but may not buy additional air time.

The cost to purchase air time for eligibility shall be the greater of the actuarial cost **or** the employee contributions for each additional year of service credit being obtained based on the greater of the member's current salary or the member's final average compensation. It must be paid in one lump sum.

Members wishing to obtain the cost of an air time purchase must pay a nonrefundable actuarial fee of \$150. Form 2-07, *Application for Purchase of Service Under La. R.S. 11:429(B)* should be used by members wishing to upgrade prior air time or purchase air time until a new form is developed. Members who submit a Form 2-07 will be sent an acknowledgement letter with a request for more information about the type of purchase information requested. In some instances an additional actuarial fee may be required.

Important Note about Impact on Insurance Premiums:

A member who purchases air time for retirement eligibility and retires earlier than he would otherwise have been eligible to retire must pay the increase in his employer's health insurance premium resulting from the early retirement. The increased premium must be paid until the member reaches the age at which they would have met regular retirement eligibility. The premium will be deducted from the retiree's monthly benefit and remitted to the Office of Group Benefits. Twenty years at any age actuarially reduced retirement is considered a regular retirement. Therefore, if a member has actually worked 20 years and retires they would not pay a premium increase. Employing agencies will be responsible for calculating the amount of the premium increase attributable to the employee.