

2018 Regular Session

HOUSE BILL NO. 39

BY REPRESENTATIVE IVEY

RETIREMENT/STATE SYSTEMS: Establishes a hybrid retirement benefit structure for members of the state retirement systems first hired on or after July 1, 2020

1 AN ACT

2 To amend and reenact R.S. 11:62(4), (5), (10), and (11), 102(B)(1) and (3)(a), (C)(2)(a) and

3 (b), (3)(a), (h), (j), (k), and (m), (6)(a), (b)(i), (c), and (d), (D)(2)(a) and (b), (3), (4),

4 (5), and (6)(a), (b), and (c), (E)(1), and (F)(1), 247(A)(1), (D), and (E), 542(C),

5 883.1(C), 927(A) and (B)(2)(a) and (b) and (3)(a)(i), 1145.1(B), 1332(B) and (F),

6 and to enact R.S. 11:62(4.1), (5.1), (10.1), and (11.1), 102(C)(3)(n), 102.7, and

7 Chapter 7 of Subtitle I of Title 11 of the Louisiana Revised Statutes of 1950,

8 comprised of R.S. 11:1399.1 through 1399.11, relative to benefits for public

9 employees whose first employment making them eligible for membership in a state

10 system occurred on or after a date certain; to provide with respect to membership,

11 credits, eligibility, accruals, and benefits of such members; to provide with respect

12 to employee and employer contributions; to provide relative to system assets and

13 liabilities attributable to such members; and to provide for related matters.

14 Notice of intention to introduce this Act has been published

15 as provided by Article X, Section 29(C) of the Constitution

16 of Louisiana.

17 Be it enacted by the Legislature of Louisiana:

18 Section 1. R.S. 11:62(4), (5), (10), and (11), 102(B)(1) and (3)(a), (C)(2)(a) and (b),

19 (3)(a), (h), (j), (k), and (m), (6)(a), (b)(i), (c), and (d), (D)(2)(a) and (b), (3), (4), (5), and

20 (6)(a), (b), and (c), (E)(1), and (F)(1), 247(A)(1), (D), and (E), 542(C), 883.1(C), 927(A) and

1 (B)(2)(a) and (b) and (3)(a)(i), 1145.1(B), 1332(B) and (F) are hereby amended and
2 reenacted and R.S. 11:62(4.1), (5.1), (10.1), and (11.1), 102(C)(3)(n), 102.7, and Chapter 7
3 of Subtitle I of Title 11 of the Louisiana Revised Statutes of 1950, comprised of R.S.
4 11:1399.1 through 1399.11, are hereby enacted to read as follows:

5 §62. Employee contribution rates established

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

8 * * *

9 (4) Louisiana School Employees' Retirement System members in Tier 1:

10 * * *

11 (4.1) Louisiana School Employees' Retirement System members in the
12 hybrid retirement plan - the amount calculated pursuant to R.S. 11:102.7.

13 (5) Louisiana State Employees' Retirement System members in Tier 1:

14 * * *

15 (5.1) Louisiana State Employees' Retirement System members in the hybrid
16 retirement plan - the amount calculated pursuant to R.S. 11:102.7.

17 * * *

18 (10) Louisiana State Police Retirement System members in Tier 1:

19 * * *

20 (10.1) Louisiana State Police Retirement System members in the hybrid
21 retirement plan - the amount calculated pursuant to R.S. 11:102.7.

22 (11) Teachers' Retirement System of Louisiana members in Tier 1:

23 * * *

24 (11.1) Teachers' Retirement System of Louisiana members in the hybrid
25 retirement plan - the amount calculated pursuant to R.S. 11:102.7.

26 * * *

27 §102. Employer contributions; determination; state systems

28 * * *

1 system valuation and beginning with Fiscal Year 2012-2013, the normal cost shall
2 be determined in accordance with Subsection D of this Section.

3 * * *

4 C.

5 * * *

6 (2)(a) Except as provided in Subparagraph (b) of this Paragraph and in R.S.
7 11:102.5, effective July 1, 2004, and beginning with Fiscal Year 1998-1999, the
8 amortization period for the changes, gains, or losses of the system provided in Items
9 (B)(3)(d)(i) through (iv) of this Section shall be thirty years from the year in which
10 the change, gain, or loss occurred. The outstanding balances of amortization bases
11 established pursuant to Items (B)(3)(d)(i) through (iv) of this Section before Fiscal
12 Year 1998-1999, shall be amortized as a level-dollar amount from July 1, 2004,
13 through June 30, 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal
14 year thereafter, the outstanding balances of amortization bases established pursuant
15 to Items (B)(3)(d)(i) through (iv) of this Section shall be amortized as a level-dollar
16 amount. Effective for the June 30, 2010 system valuation and beginning with Fiscal
17 Year 2011-2012, amortization payments for changes in actuarial liability shall be
18 determined in accordance with this Subsection. Beginning with Fiscal Year 2020-
19 2021, the outstanding balances of amortization bases established pursuant to
20 (B)(3)(d)(i) through (iv) of this Section shall also be calculated in accordance with
21 the provisions of R.S. 11:102.7.

22 (b) Notwithstanding the provisions of Subparagraph (a) of this Paragraph,
23 effective for the June thirtieth valuation following the fiscal year in which the system
24 first attains a funded percentage of seventy or more pursuant to R.S. 11:542 and for
25 every year thereafter, the amortization period for the changes, gains, or losses of the
26 system provided in Items (B)(3)(d)(i) through (iv) of this Section occurring in that
27 year or thereafter shall be twenty years from the year in which the change, gain, or
28 loss occurred. Beginning with Fiscal Year 2020-2021, the outstanding balances of

1 amortization bases established pursuant to (B)(3)(d)(i) through (iv) of this Section
2 shall also be calculated in accordance with the provisions of R.S. 11:102.7.

3 * * *

4 (3) The provisions of this Paragraph and Paragraphs (4) through (9) of this
5 Subsection shall be effective for the June 30, 2010 system valuation and beginning
6 Fiscal Year 2011-2012. For purposes of this Subsection, "plan" or "plans" shall
7 mean a subgroup within the system characterized by the following employee
8 classifications:

9 (a) Rank-and-file members of the system whose first employment making
10 them eligible for membership in a state system occurred on or before June 30, 2020.

11 * * *

12 (h) Legislators, the governor, and the lieutenant governor whose first
13 employment making them eligible for membership in a state system occurred on or
14 before June 30, 2020.

15 * * *

16 (j) Hazardous duty plan members as provided pursuant to R.S. 11:611 et seq.
17 whose first employment making them eligible for membership in a state system
18 occurred on or before June 30, 2020.

19 (k) Judges as provided pursuant to R.S. 11:62(5)(a)(iii) and 444(A)(1)(a)(ii)
20 whose first employment making them eligible for membership in a state system
21 occurred on or before June 30, 2020.

22 * * *

23 (m) Members of the hybrid plan.

24 (n) Any other specialty retirement plan provided for a subgroup of system
25 members. If the legislation enacting such a plan is silent as to the application of this
26 Subsection, the Public Retirement Systems' Actuarial Committee shall provide for
27 the application to such plan.

28 * * *

1 (6) For each plan referenced in Paragraph (3) of this Subsection, the
2 legislature shall set the required employer contribution rate equal to the sum of the
3 following:

4 (a) The particularized normal cost rate. The normal cost rate for each fiscal
5 year shall be the employer's normal cost for the plan computed by applying the
6 method specified in R.S. 11:102(B)(1) and (3)(a) and R.S. 11:102.7 to the plan.

7 (b) The shared unfunded accrued liability rate. (i) Except as provided in Item
8 (ii) of this Subparagraph, a single rate shall be computed for each fiscal year,
9 applicable to all plans for actuarial changes, gains, and losses existing on June 30,
10 2010, or occurring thereafter, including experience and investment gains and losses,
11 which are independent of the existence of the plans listed in Paragraph (3) of this
12 Subsection, the payment and rate therefor shall be calculated as provided in this
13 Subsection and Paragraphs (B)(1) and (3) of this Section and R.S. 11:102.7.

14 * * *

15 (c) The particularized unfunded accrued liability rate. For actuarial changes,
16 gains, and losses, excluding experience and investment gains and losses, first
17 recognized in the June 30, 2010 valuation or in any later valuation, attributable to
18 one or more, but not all, plans listed in Paragraph (3) of this Subsection or to some
19 new plan or plans, created, implemented, or enacted after July 1, 2010, a
20 particularized contribution rate shall be calculated as provided in this Subsection and
21 Paragraphs (B)(1) and (3) of this Section and R.S. 11:102.7.

22 (d) The shared gross employer contribution rate difference. The gross
23 employer contribution rate difference shall be the difference between the minimum
24 gross employer contribution rate provided in Paragraph (B)(5) of this Section and the
25 aggregate employer contribution rate calculated pursuant to the provisions of
26 Subsection B of this Section and R.S. 11:102.7.

27 D.

28 * * *

1 (2)(a) Except as provided in Subparagraph (b) of this Paragraph and in R.S.
2 11:102.5, effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the
3 amortization period for the changes, gains, or losses of the system provided in Items
4 (B)(3)(d)(i) through (iv) of this Section shall be thirty years from the year in which
5 the change, gain, or loss occurred. The outstanding balances of amortization bases
6 established pursuant to Items (B)(3)(d)(i) through (iv) of this Section before Fiscal
7 Year 2000-2001, shall be amortized as a level-dollar amount from July 1, 2004,
8 through June 30, 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal
9 year thereafter, the outstanding balances of amortization bases established pursuant
10 to Items (B)(3)(d)(i) through (iv) of this Section shall be amortized as a level-dollar
11 amount. Effective for the June 30, 2011 system valuation and beginning with Fiscal
12 Year 2012-2013, amortization payments for changes in actuarial liability shall be
13 determined in accordance with this Subsection. Beginning with Fiscal Year 2020-
14 2021, the outstanding balances of amortization bases established pursuant to
15 (B)(3)(d)(i) through (iv) of this Section shall also be calculated in accordance with
16 the provisions of R.S. 11:102.7.

17 (b) Notwithstanding the provisions of Subparagraph (a) of this Paragraph,
18 effective for the June thirtieth valuation following the fiscal year in which the system
19 first attains a funded percentage of seventy or more pursuant to R.S. 11:883.1 and
20 for every year thereafter, the amortization period for the changes, gains, or losses of
21 the system provided in Items (B)(3)(d)(i) through (iv) of this Section occurring in
22 that year or thereafter shall be twenty years from the year in which the change, gain,
23 or loss occurred. Beginning with Fiscal Year 2020-2021, the outstanding balances
24 of amortization bases established pursuant to (B)(3)(d)(i) through (iv) of this Section
25 shall also be calculated in accordance with the provisions of R.S. 11:102.7.

* * *

27 (3) The provisions of this Paragraph and Paragraphs (4) through (9) of this
28 Subsection shall be effective for the June 30, 2011 system valuation and beginning
29 Fiscal Year 2012-2013. For purposes of this Subsection, "plan" or "plans" shall

1 mean a subgroup within the system characterized by the following employee
2 classifications:

3 (a) Employees of an institution of postsecondary education, the Board of
4 Regents, or a postsecondary education management board who are not employed for
5 the sole purpose of providing instruction or administrative services at the primary or
6 secondary level, including at any lab school and the Jimmy D. Long, Sr. Louisiana
7 School for Math, Science, and the Arts whose first employment making them eligible
8 for membership in a state system occurred on or before June 30, 2020.

9 (b) Any other specialty retirement plan provided for a subgroup of system
10 members. If the legislation enacting such a plan is silent as to the application of this
11 Subsection, the Public Retirement Systems' Actuarial Committee shall provide for
12 the application to such plan.

13 (c) All other teachers, as defined in R.S. 11:701(33), including members paid
14 from school food service funds as provided in R.S. 11:801 and 811 whose first
15 employment making them eligible for membership in a state system occurred on or
16 before June 30, 2020.

17 (d) Members of the hybrid plan.

18 (4) Effective for the June 30, 2011 system valuation and beginning with
19 Fiscal Year 2012-2013, the normal cost calculated pursuant to Subparagraph
20 (B)(3)(a) of this Section and R.S. 11:102.7, shall be calculated separately for each
21 particular plan within the system. An employer shall pay employer contributions for
22 each employee at the rate applicable to the plan of which that employee is a member.

23 (5) Effective for the June 30, 2011 system valuation and beginning with
24 Fiscal Year 2012-2013, changes in actuarial liability due to legislation, changes in
25 governmental organization, or reclassification of employees or positions shall be
26 calculated individually for each particular plan within the system based on each
27 plan's actuarial experience as further provided in Subparagraph (6)(c) of this
28 Subsection and R.S. 11:102.7.

1 be amortized as a level-dollar amount from July 1, 2004, through June 30, 2029.
 2 Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the
 3 outstanding balances of amortization bases established pursuant to Items (B)(3)(d)(i)
 4 through (iv) of this Section shall be amortized as a level-dollar amount. Beginning
 5 with Fiscal Year 2020-2021, the outstanding balances of amortization bases
 6 established pursuant to (B)(3)(d)(i) through (iv) of this Section shall also be
 7 calculated in accordance with the provisions of R.S. 11:102.7.

8 * * *

9 F.(1) Except as provided in Paragraph (2) of this Subsection and in R.S.
 10 11:102.5, effective July 1, 2009, and beginning with Fiscal Year 1992-1993, the
 11 amortization period for the changes, gains, or losses of the Louisiana State Police
 12 Retirement System provided in Items (B)(3)(d)(i) through (iv) of this Section shall
 13 be thirty years from the year in which the change, gain, or loss occurred. The
 14 outstanding balances of amortization bases established pursuant to Items (B)(3)(d)(i)
 15 through (iv) of this Section before Fiscal Year 2008-2009 shall be amortized as a
 16 level-dollar amount from July 1, 2009, through June 30, 2029. Beginning with
 17 Fiscal Year 2008-2009, and for each fiscal year thereafter, the outstanding balances
 18 of amortization bases established pursuant to Items (B)(3)(d)(i) through (iv) of this
 19 Section shall be amortized as a level-dollar amount. Beginning with Fiscal Year
 20 2020-2021, the outstanding balances of amortization bases established pursuant to
 21 (B)(3)(d)(i) through (iv) of this Section shall also be calculated in accordance with
 22 the provisions of R.S. 11:102.7.

23 * * *

24 §102.7. Contribution rates for hybrid plan members

25 A. For the purposes of this Section, the following terms shall have the
 26 following meanings unless another meaning is clearly required by context:

27 (1) "New member" shall mean any member of a state retirement system
 28 whose first employment making him eligible for membership in a state system
 29 occurred on or after July 1, 2020.

1 §247. Automatic cost-of-living adjustments

2 A.(1) Upon application for retirement or participation in the Deferred
3 Retirement Option Plan, any member of a ~~state or statewide retirement system~~ or any
4 member of a state retirement system whose first employment making him eligible
5 for membership in such system occurred on or before June 30, 2020, may elect to
6 receive an actuarially reduced retirement allowance plus an annual two and one-half
7 percent cost-of-living adjustment. Such an election shall be irrevocable after the
8 effective date of retirement or after the beginning date of participation in the
9 Deferred Retirement Option Plan. The retirement allowance together with the cost-
10 of-living adjustment shall be certified by the system actuary to be actuarially
11 equivalent to the member's maximum or optional retirement allowance and shall be
12 approved by the system's board of trustees.

13 * * *

14 D. Upon application for retirement or participation in the Deferred
15 Retirement Option Plan and upon certifying that he is contemplating availing himself
16 of the provisions of this Section, a an eligible member of a ~~state or statewide~~
17 ~~retirement system~~ may request that the system provide actuarial estimates of the
18 benefits that such member would receive pursuant to Subsection A of this Section
19 for the fifth, tenth, and fifteenth year following the member's anticipated retirement
20 date. The system shall provide such actuarial estimates to the member upon request.

21 E. This Section shall not be applicable to recipients of disability retirement
22 benefits pursuant to R.S. 11:461 et seq. All other eligible persons receiving
23 disability retirement benefits pursuant to the provisions of this Title shall be eligible
24 to elect this retirement option upon conversion to a service retirement, if applicable,
25 under the provisions of this Title for each state or statewide retirement system.

26 * * *

1 §542. Experience account

2 * * *

3 C.(1) In accordance with the provisions of this Section, the board of trustees
4 may recommend to the president of the Senate and the speaker of the House of
5 Representatives that the system be permitted to grant a permanent benefit increase
6 to retirees whose first employment making them eligible for membership in a state
7 system occurred on or before June 30, 2020, and to survivors; and beneficiaries of
8 such members whenever the conditions in this Section are satisfied. The board of
9 trustees shall not grant a permanent benefit increase unless such permanent benefit
10 increase has been approved by the legislature.

11 (2) No member whose first employment making him eligible for
12 membership in a state system occurs on or after July 1, 2020, shall be eligible for a
13 benefit adjustment pursuant to the provisions of this Section nor shall any
14 beneficiary who receives benefits based on the death or disability of such a member
15 be eligible for a benefit adjustment pursuant to the provisions of this Section.

16 * * *

17 §883.1. Experience account

18 * * *

19 C.(1) In accordance with the provisions of this Section, the board of trustees
20 may recommend to the president of the Senate and the speaker of the House of
21 Representatives that the system be permitted to grant a permanent benefit increase
22 to retirees whose first employment making them eligible for membership in a state
23 system occurred on or before June 30, 2020, and to ~~and~~ beneficiaries of such
24 members whenever the conditions in this Section are satisfied. The board of trustees
25 shall not grant a permanent benefit increase unless such permanent benefit increase
26 has been approved by the legislature.

27 (2) No member whose first employment making him eligible for
28 membership in a state system occurs on or after July 1, 2020, shall be eligible for a
29 benefit adjustment pursuant to the provisions of this Section nor shall any

1 beneficiary who receives benefits based on the death or disability of such a member
2 be eligible for a benefit adjustment pursuant to the provisions of this Section.

3 * * *

4 §927. Contributions

5 A. Regardless of the date of employment making him eligible for
6 membership in a state retirement system, each Each participant shall contribute
7 monthly to the optional retirement plan the same amount which he would be required
8 to contribute to the Tier 1 regular retirement plan of the Teachers' Retirement System
9 of Louisiana if he were a member of that retirement plan. Participant contributions
10 may be made by employer pick-up in accordance with the provisions of Section
11 414(h)(2) of the United States Internal Revenue Code or any amendment thereto.
12 The entirety of each participant's contribution, less any monthly fee established by
13 the board to cover the cost of administration and maintenance of the optional
14 retirement plan, shall be remitted to the appropriate designated company or
15 companies for application to the participant's contract or contracts.

16 B.

17 * * *

18 (2)(a) Beginning July 1, 2014, and continuing through Fiscal Year 2017-
19 2018, each higher education board created by Article VIII of the Constitution of
20 Louisiana and each employer institution and agency under its supervision and control
21 shall contribute to the Teachers' Retirement System of Louisiana on behalf of each
22 participant in the optional retirement plan the sum of:

23 (i) The amounts calculated pursuant to R.S. 11:102(D)(6)(b), (c), and (d) for
24 Tier 1 plans.

25 (ii) An amount equal to or greater than the equivalent of the employer's
26 portion of the Tier 1 normal cost contribution of the regular retirement plan.

27 (b) Beginning July 1, 2018, each higher education board created by Article
28 VIII of the Constitution of Louisiana and each employer institution and agency under

1 its supervision and control shall contribute to the Teachers' Retirement System of
2 Louisiana on behalf of each participant in the optional retirement plan the sum of:

3 (i) The amounts calculated pursuant to R.S. 11:102(D)(6)(b), (c), and (d) for
4 Tier 1 plans.

5 (ii) An amount not less than six and two-tenths percent of pay.

6 * * *

7 (3)(a) Beginning July 1, 2014, for each employer that is not a higher
8 education board created by Article VIII of the Constitution of Louisiana or an
9 employer institution under the supervision and control of such a board, each such
10 employer institution and board shall contribute to the Teachers' Retirement System
11 of Louisiana on behalf of each participant in the optional retirement plan the greater
12 of:

13 (i) The amount it would have contributed if the participant were a member
14 of the Tier 1 regular retirement plan of the Teachers' Retirement System of Louisiana
15 pursuant to R.S. 11:102(D)(3).

16 * * *

17 §1145.1. Experience account

18 * * *

19 B.(1) In accordance with the provisions of this Section, the board of trustees
20 may recommend to the president of the Senate and the speaker of the House of
21 Representatives that the system be permitted to grant a permanent benefit increase
22 to retirees whose first employment making them eligible for membership in a state
23 system occurred on or before June 30, 2020, and to ~~and~~ beneficiaries of such
24 members whenever the conditions in this Section are satisfied. The board of trustees
25 shall not grant a permanent benefit increase unless such permanent benefit increase
26 has been approved by the legislature.

27 (2) No member whose first employment making him eligible for
28 membership in a state system occurs on or after July 1, 2020, shall be eligible for a
29 benefit adjustment pursuant to the provisions of this Section nor shall any

1 beneficiary who receives benefits based on the death or disability of such a member
2 be eligible for a benefit adjustment pursuant to the provisions of this Section.

3 * * *

4 §1332. Experience account

5 * * *

6 B.(1) In accordance with the provisions of this Section, the board of trustees
7 may recommend to the president of the Senate and the speaker of the House of
8 Representatives that the system be permitted to grant a permanent benefit increase
9 to retirees whose first employment making them eligible for membership in a state
10 system occurred on or before June 30, 2020, and to ~~and~~ beneficiaries of such
11 members whenever the conditions in this Section are satisfied. The board of trustees
12 shall not grant a permanent benefit increase unless such permanent benefit increase
13 has been approved by the legislature.

14 (2) No member whose first employment making him eligible for
15 membership in a state system occurs on or after July 1, 2020, shall be eligible for a
16 benefit adjustment pursuant to the provisions of this Section nor shall any
17 beneficiary who receives benefits based on the death or disability of such a member
18 be eligible for a benefit adjustment pursuant to the provisions of this Section.

19 * * *

20 F.(1) In addition to the permanent benefit increase authorized by Subsection
21 B of this Section, the board of trustees may grant a supplemental permanent benefit
22 increase to all retirees and beneficiaries who are at least age sixty-five and who
23 retired on or before June 30, 2001. This supplemental increase shall consist of an
24 amount equal to two percent of the benefit being received on the date of the increase.
25 In order to grant such supplemental permanent benefit increase, the board of trustees
26 shall recommend to the president of the Senate and the speaker of the House of
27 Representatives that the system be permitted to grant such supplemental permanent
28 benefit increase to retirees and beneficiaries whenever the balance in the experience
29 account is sufficient to fully fund such benefit on an actuarial basis, as determined

1 by the system's actuary. If the legislative actuary disagrees with the determination
 2 of the system's actuary, such supplemental permanent benefit increase shall not be
 3 granted. The board of trustees shall not grant such supplemental permanent benefit
 4 increase unless such supplemental permanent benefit increase has been approved by
 5 the legislature. Any such supplemental permanent benefit increase paid on or before
 6 June 30, 2015, shall be limited to and shall be payable based only on an amount not
 7 to exceed eighty-five thousand dollars of the retiree's annual benefit. Any such
 8 supplemental permanent benefit increase paid on or after July 1, 2015, shall be
 9 limited to and shall be payable based only on an amount not to exceed sixty thousand
 10 dollars of the retiree's annual benefit. Effective on and after July 1, 2007, and on or
 11 before June 30, 2015, the eighty-five thousand dollar limit shall be increased each
 12 year in an amount equal to the increase in the CPI-U for the preceding calendar year,
 13 if any. Effective on and after July 1, 2015, the sixty-thousand-dollar limit shall be
 14 increased each year in an amount equal to the increase in the CPI-U for the twelve-
 15 month period ending on the system's valuation date, if any. Any permanent benefit
 16 increase granted pursuant to the provisions of this Subsection shall begin on the July
 17 first following legislative approval and shall be payable annually.

18 (2) No member whose first employment making him eligible for
 19 membership in a state system occurs on or after July 1, 2020, shall be eligible for a
 20 benefit adjustment pursuant to the provisions of this Section nor shall any
 21 beneficiary who receives benefits based on the death or disability of such a member
 22 be eligible for a benefit adjustment pursuant to the provisions of this Section.

23 * * *

24 CHAPTER 7. HYBRID PLAN FOR STATE RETIREMENT SYSTEMS

25 §1399.1. Hybrid plan creation

26 A. There is hereby created within each of the following state retirement
 27 systems a hybrid plan:

28 (1) Louisiana State Employees' Retirement System.

29 (2) Teachers' Retirement System of Louisiana.

1 (3) Louisiana School Employees' Retirement System.

2 (4) State Police Retirement System.

3 B. The provisions of each system in effect on June 30, 2020, including any
4 special plans, shall be known as "Tier 1".

5 §1399.2. Definitions

6 The following terms shall have the following meanings, unless another
7 meaning is clearly required by context. Terms not otherwise defined shall have the
8 same meaning as in Tier 1.

9 (1) "Hazardous duty member" shall mean a member of the Louisiana State
10 Employees' Retirement System who, but for his date of first employment making
11 him eligible for membership in a state system, would qualify for membership in the
12 Hazardous Duty Services Plan pursuant to R.S. 11:612.

13 (2) "Particularized unfunded accrued liability" shall mean liability applicable
14 to actuarial changes, gains, and losses, excluding experience and investment gains
15 and losses, first recognized in the June 30, 2021, valuation or in any later valuation,
16 attributable to one or more, but not all, plans in a system.

17 (3) "Rank-and-file member" shall mean any member of the Louisiana State
18 Employees' Retirement System including any judge, court officer, governor,
19 lieutenant governor, clerk or sergeant-at-arms of the House of Representatives,
20 secretary or sergeant-at-arms of the Senate, or state treasurer, who is not a hazardous
21 duty member and whose first employment making him eligible for membership in
22 a state system occurred on or after July 1, 2020.

23 (4) "Shared unfunded accrued liability" shall mean liability applicable to all
24 plans in a system for actuarial changes, gains, and losses, including experience and
25 investment gains and losses, which are independent of the existence of the individual
26 plans within a system.

27 §1399.3. Hybrid plan membership

28 A. State employees whose first employment making them eligible for
29 membership in one of the state systems occurred on or after July 1, 2020, shall be

1 members of the hybrid plan of their respective system. Members in the hybrid plan
2 shall participate simultaneously in a defined benefit plan and in a defined
3 contribution plan.

4 B. If a retired member of the hybrid plan returns to active service in a
5 position covered by the system from which he is receiving benefits, payment of his
6 defined benefit retirement shall cease during his period of reemployment. However,
7 such reemployment shall have no effect on payments received under the defined
8 contribution component of the plan.

9 §1399.4. Contributions and credits

10 A.(1) Each member shall contribute to the retirement system the amount
11 calculated pursuant to R.S. 11:102.7.

12 (2) Employer contributions to each retirement system shall be as provided
13 in R.S. 11:102 and 102.7.

14 B.(1) For a member of the Teachers' Retirement System of Louisiana, the
15 Louisiana School Employees' Retirement System, or a rank-and-file member of the
16 Louisiana State Employees' Retirement System, each hybrid plan member's defined
17 contribution account shall be credited with an amount equal to ten percent of pay
18 monthly.

19 (2) For a member of the State Police Retirement System or a hazardous duty
20 member, each such hybrid plan member's defined contribution account shall be
21 credited with an amount equal to twelve percent of pay monthly.

22 (3) Every active member of the hybrid plan shall also accrue service credit
23 in the defined benefit portion of the plan each month as provided in R.S. 11:1399.5.

24 C.(1) With regards to the defined contribution portion of the hybrid plan,
25 upon receipt of employee and employer contributions, the system shall promptly pay
26 over to the appropriate designated company or companies an amount equal to one
27 half of the normal cost percentage calculated pursuant to R.S. 11:102.7, which shall
28 be credited to the employee's account.

1 (2) With regards to the defined benefit portion of the hybrid plan, the
2 remainder of the employee and employer contributions shall be applied to the
3 defined benefit normal cost and unfunded accrued liability costs as provided in R.S.
4 11:102.7.

5 §1399.5. Defined benefit portion

6 A.(1) Defined benefits in the plan shall accrue at the following rates for each
7 year of creditable service in the plan:

8 (a) For a member of the Teachers' Retirement System of Louisiana, the
9 Louisiana School Employees' Retirement System, or a rank-and-file member of the
10 Louisiana State Employees' Retirement System - one percent of the member's
11 average compensation.

12 (b) For a member of the State Police Retirement System or a hazardous duty
13 member – one and one-third percent of the member's average compensation.

14 (2) In no event shall a member's accrued defined benefit exceed one hundred
15 percent of his average compensation.

16 B. The interest rate used to value normal cost and accrued liabilities
17 attributable to the plan shall be six percent. The provisions of this Subsection shall
18 apply to particularized liabilities of the plan as well as to any portions of shared
19 unfunded accrued liability attributable to the hybrid plan.

20 C.(1) Upon retirement, a hybrid plan member shall receive a maximum
21 defined benefit retirement allowance from his retirement system that is equivalent
22 to the percentage of his average compensation accrued each year for his creditable
23 service in the plan pursuant to Paragraph (A)(1) of this Section multiplied by his
24 years of creditable service in the plan.

25 (2) Notwithstanding the provisions of Paragraph (1) of this Subsection, upon
26 retirement, a hybrid plan member may elect to receive his defined benefit in a
27 retirement allowance payable throughout his life or may elect to receive the actuarial
28 equivalent of his retirement allowance in a reduced retirement allowance payable

1 throughout life pursuant to any retirement option available to members of Tier 1 of
2 his system, including initial lump sum payment options.

3 (3) Notwithstanding the provisions of Paragraph (2) of this Subsection, no
4 member of the hybrid plan shall be eligible to participate in any deferred retirement
5 option plan or program or any similar retirement option that requires continued
6 employment for participation, nor shall such a member be eligible to participate in
7 any back-deferred retirement option plan or program.

8 §1399.6. Defined contribution portion

9 A.(1) Each member shall have a defined contribution plan account
10 maintained and administered by a qualified private provider as determined pursuant
11 to Subsection B of this Section.

12 (2) Each member may elect to contribute extra amounts to his defined
13 contribution account, up to applicable Internal Revenue Code limits on elective
14 deferrals.

15 B.(1) The board of trustees of each system shall select no more than three
16 companies from which contracts will be purchased for the provision of defined
17 contribution accounts for employees. In setting the criteria for this selection, the
18 board shall consider, among other things, the following:

19 (a) The portability of the contracts offered or to be offered by the company,
20 based on the number of states in which the designated company provides contracts
21 under similar plans.

22 (b) The nature and extent of the rights and benefits to be provided by the
23 contracts for participating employees and their beneficiaries.

24 (c) The relation of the rights and benefits to the amount of the contributions
25 to be made pursuant to the provisions of this Chapter.

26 (d) The suitability of the rights and benefits to the needs and interests of
27 participating employees.

28 (e) The ability of the designated company or companies to provide the rights
29 and benefits under such contracts.

1 (2) Each system board of trustees shall select from the funds offered by each
2 provider a minimum of ten and a maximum of twenty-five funds in a range of risk
3 and return profiles that will be offered to its members. At least one of the investment
4 options selected by the board from each provider shall be a fund with a guaranteed
5 rate of return.

6 C. Upon retirement, a minimum of seventy-five percent of the value of the
7 member's account balance shall be annuitized by the company maintaining the
8 account. The member shall select the percentage of his account balance to be
9 annuitized. A member who does not elect to annuitize his entire account balance
10 may withdraw some or all of his remaining account balance as: one or more lump-
11 sum payments; a trustee-to-trustee, single-sum transfer between qualified plans; or
12 a payment made directly to an individual retirement account.

13 D. Upon death or retirement, whichever occurs first, a member with at least
14 five years of participation in the defined contribution plan shall have a vested right
15 to all employer contributions made to his account and to interest on the employee
16 and employer contributions. The rights of members terminating service prior to
17 retirement shall be as follows:

18 (1) In the event of termination prior to attaining five years of participation
19 in the defined contribution plan, the member shall be entitled to a return of all
20 employee contributions, without interest thereon. All interest and employer
21 contributions shall be forfeited to the member's retirement system.

22 (2) In the event of termination after a member attains five years of
23 participation in the defined contribution plan but prior to retirement, the member
24 shall leave his account balance with the system and exercise the rights granted
25 pursuant to Subsection C of this Section upon attaining the first age at which he may
26 begin to draw an unreduced retirement benefit.

27 E. A member who has not terminated employment or retired may not
28 withdraw funds from his defined contribution account prior to retirement or borrow
29 against such funds.

1 F. Interest shall be credited on any balance in the member's account as long
2 as there is a balance in the account.

3 §1399.7. Retirement eligibility

4 Retirement eligibility shall be as follows:

5 (1) A member of the Teachers' Retirement System of Louisiana, the
6 Louisiana School Employees' Retirement system, or a rank-and-file member of the
7 Louisiana State Employees' Retirement System shall be eligible for retirement if he
8 has:

9 (a) Five years or more of service, at age sixty-five or thereafter.

10 (b) Twenty years of service credit at age fifty-five, exclusive of military
11 service and unused annual and sick leave, but any person retiring under this
12 Subparagraph shall have his defined benefit, inclusive of military service credit and
13 allowable unused annual and sick leave, actuarially reduced from the earliest age that
14 he would normally become eligible for a regular retirement benefit under
15 Subparagraph (a) of this Paragraph.

16 (2) A member of the State Police Retirement System or a hazardous duty
17 member shall be eligible for retirement if he has:

18 (a) Twelve years or more of service, at age fifty-seven or thereafter.

19 (b) Twenty years of service credit at any age, exclusive of military service
20 and unused annual and sick leave, but any person retiring under this Subparagraph
21 shall have his defined benefit, inclusive of military service credit and allowable
22 unused annual and sick leave, actuarially reduced from the earliest age that he would
23 normally become eligible for a regular retirement benefit under Subparagraph (a) of
24 this Paragraph.

25 §1399.8. Disability and death benefits

26 A.(1) The defined benefit plan disability and death benefits shall be as
27 otherwise determined and provided in Tier 1; however, the accrual rate used to
28 calculate any such benefits shall not exceed the member's accrual rate in the hybrid
29 plan.

1 (2) If the hybrid plan member has not met the eligibility requirements for
2 survivors' benefits in the applicable Tier 1 plan, the system shall give his designated
3 beneficiary or his estate the option to receive the portion of the account balance the
4 member would otherwise have been entitled to as a lump-sum payment; a trustee-to-
5 trustee, single-sum transfer between qualified plans; or a payment made directly to
6 an individual retirement account.

7 B. A member receiving disability benefits based on defined benefit plan
8 provisions shall be entitled access to his defined contribution account as provided in
9 R.S. 11:1399.6(C), including interest on contributions as provided in R.S.
10 11:1399.6(D).

11 C. If distributed as death benefits, a deceased member's defined contribution
12 account shall be divided as follows:

13 (1) If there is a surviving spouse and no minor children, the spouse shall
14 have the same options with respect to the account balance that the member would
15 have had.

16 (2) If there is a surviving spouse and at least one minor child or child with
17 a disability, the surviving spouse shall receive an annuity based on one-half of the
18 account balance and the other half of the account balance shall be divided on a pro
19 rata basis between the remaining minor children and children with a disability and
20 annuitized.

21 (3) If there is no surviving spouse but there is at least one minor child or
22 child with a disability, the account shall be divided on a pro rata basis between the
23 minor children and children with a disability and annuitized.

24 D. If any disability retiree of the hybrid retirement plan who is under his
25 normal retirement age is restored to active service, his defined benefit retirement
26 allowance and ability to access his defined contribution account shall cease, he shall
27 again become a member of the retirement system, and he shall contribute thereafter
28 at the current rate in effect at the time he is restored to service, and if he contributes
29 for at least three years after restoration to active service, the period of time on

1 disability shall be counted as accredited service for purposes of establishing
2 retirement eligibility in the defined benefit portion of the plan, but not for
3 computation of benefits. Any prior service certificate on which his service was
4 computed at the time of his retirement shall be restored to full force and effect and,
5 in addition, upon his subsequent retirement he shall be credited with all his service
6 as a member. The remaining value of any annuity paid to the rehabilitated member
7 from his defined contribution account balance shall be converted back to a lump sum
8 and deposited into the member's defined contribution account. Contributions to the
9 defined contribution account shall resume and be added to the balance in the account
10 at the time of restoration to active service.

11 §1399.9. Cost-of-living adjustments on defined benefit

12 A.(1) Each qualifying retiree and beneficiary of a hybrid plan member shall
13 have the defined benefit portion of his benefit increased permanently on July first in
14 each odd-numbered calendar year. The amount of the increase shall be the lesser of:

15 (a) Two percent of the benefit amount.

16 (b) An amount equal to the consumer price index for all urban consumers for
17 the South as calculated by the United States Department of Labor, Bureau of Labor
18 Statistics, for the twelve-month period ending on the May thirtieth immediately
19 preceding the payment of the benefit increase.

20 (2) To be eligible for the permanent benefit increases provided in this
21 Subsection, a retiree:

22 (a) Shall have been separated from employment and receiving a benefit for
23 at least one year.

24 (b) Shall have attained his normal retirement age.

25 (3) A nonretiree survivor or beneficiary shall be eligible for the permanent
26 benefit increases provided in this Section:

27 (a) If the benefits have been received by the retiree or the beneficiary or both
28 combined for at least one year.

29 (b) If the retiree would have attained age sixty-five.

1 (4) The provisions of Subparagraph (3)(b) of this Subsection shall not apply
2 to any person who receives benefits based on the death of a disability retiree.

3 B. Each permanent benefit increase provided pursuant to this Section shall
4 be payable based on the amount, not to exceed fifty thousand dollars, of the
5 recipient's annual benefit.

6 C. Each time the system actuary performs an experience study, he shall also
7 evaluate whether and to what extent contributions required to fund the benefits
8 provided for in this Section meet or exceed such liabilities. This assessment shall be
9 based on stochastic modeling.

10 §1399.10. Commingling of assets and accounting

11 Assets of the hybrid plan shall be commingled with assets of the other system
12 plans for investment purposes. Assets of this plan shall be available to fund benefits
13 of all plans within the system, including this plan. A fictitious account for this tier
14 of benefits shall be established for the purposes of accounting for assets and
15 liabilities of this plan and determining funding requirements of this plan.

16 §1399.11. Applicability

17 The provisions of the applicable Tier 1 system or plan shall apply to the
18 hybrid plan for any matter on which this Chapter is silent. In case of any conflict
19 between the provisions of Tier 1 and the hybrid plan, the hybrid plan shall prevail.

20 Section 2. The cost of this Act, if any, shall be funded with additional employer
21 contributions in compliance with Article X, Section 29(F) of the Constitution of Louisiana.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 39 Original

2018 Regular Session

Ivey

Abstract: Establishes a hybrid retirement plan for members of state retirement systems whose first employment making them eligible for membership in a state system occurred on or after July 1, 2020.

Present law establishes four state retirement systems – the La. State Employees' Retirement System (LASERS), the Teachers' Retirement System of La. (TRSL), the La. School Employees' Retirement System (LSERS), and the State Police Retirement System (STPOL)

– and provides a defined benefit retirement plan for members of each system. Proposed law establishes a hybrid retirement plan (Hybrid Plan) – consisting of a combination of a defined benefit pension and a defined contribution (DC) account – for members of each system whose first employment making them eligible for membership in a state system occurs on or after July 1, 2020 (hereafter referred to as "new members").

Cost Sharing

Present law establishes a fixed rate at which members must contribute to each state and statewide retirement system. Proposed law retains present law for those who are not new members. Further establishes a floating rate for new members based on an equal division of the cost of the plan for new members.

Present law establishes the formula by which employer contribution rates are calculated each year. Generally requires the employer to fund 100% of unfunded accrued liability (UAL) payments. Proposed law requires new members to split equally the cost of their benefit accruals (the "Normal Cost") and the cost of any UAL attributable to their plan.

COLAs

Present law provides a mechanism for paying cost-of-living adjustments (COLAs) to retirees of state retirement systems using investment gains over and above certain pre-determined levels. Proposed law retains present law for those who are not new members. For new members, proposed law establishes a pre-funded COLA mechanism, the cost of which is split between new members and employers. Upon retirement (or death), in every odd-numbered year, a qualifying new member or beneficiary of such will receive a COLA equal to the lesser of:

- (1) 2%.
- (2) The CPI-U for the South as calculated by the U.S. Dept. of Labor, Bureau of Labor Statistics, for the 12-month period ending on the May 30th immediately preceding the payment of the benefit increase.

Further provides that such COLA shall only be paid on the first \$50,000 of a retiree or beneficiary's benefit amount.

Proposed law establishes the following qualifications for a COLA:

- (1) Any retiree who has received a benefit for at least one year and who has attained at least his normal retirement age.
- (2) Any nonretiree beneficiary who has received a benefit for at least one year (aggregated with any time the deceased member may have received a benefit) if the deceased member would have attained his normal retirement age.
- (3) Any disability retiree or any beneficiary who receives benefits based on the death of a disability retiree if benefits have been received for at least one year.

Regular Retirement Benefits

Defined Benefit Plan

Present law provides a retirement benefit that combines average compensation with a percentage multiplier for each year of service. This calculation can be rendered as:

Accrual Rate x Years of Service x Average Compensation

Present law for TRSL, LSERS, and rank-and-file members of LASERS provides an accrual rate of 2.5% of average compensation for each year of a member's service. Proposed law retains present law for those who are not new members. Further establishes a 1% accrual rate for regular retirement benefit calculations for new members.

Present law for STPOL and for the Hazardous Duty Services Plan (hereafter "Haz. Duty") members provides an accrual rate of 3.33% of average compensation for each year of such member's service. Proposed law retains present law for those who are not new members. Further establishes a 1.33% accrual rate for regular retirement benefit calculations for new members.

Present law establishes a five-year vesting period for the right to a benefit from the defined benefit plan. Proposed law retains present law for all members, regardless of the date of hire.

DC Plan

Proposed law establishes a DC account for each new member. Requires the board of trustees of each system to select up to three third-party providers who will administer the DC accounts for new members. Establishes criteria for the board to use in evaluating potential third-party providers. Requires each board to select from the funds offered by each provider a minimum of 10 and a maximum of 25 fund options in a range of risk and return profiles that will be offered to new members in the DC plan. Requires at least one investment option to be a fund with a guaranteed rate of return.

Proposed law provides that new member DC accounts for TRSL, LSERS, and rank-and-file members of LASERS shall be credited with 10% of pay each month. Further provides that new member DC accounts for STPOL and hazardous duty members shall be credited with 12% of pay each month.

Proposed law establishes a five-year vesting period for the right to employer contributions and interest credited to the new member's account. The new member's right to access interest on employee and employer contributions made to the DC account is triggered by the member's retirement (regular or disability) or death, whichever occurs first.

Proposed law provides that if a member terminates employment prior to attaining five years of participation in the DC plan, the employee is entitled to a return of all employee contributions, without interest. All interest and employer contributions will be forfeited to the system.

Proposed law further provides that if a member terminates employment after attaining five years of participation in the DC plan, but prior to retirement, he must leave his account balance with the third-party provider until the first age at which he may begin to draw an unreduced retirement benefit and may then exercise all options in proposed law for members who retire from the system.

Proposed law provides that upon retirement, a member must annuitize at least 75% of his DC account balance with the third-party provider. The member may choose the percentage of his account, up to 25%, that will not be annuitized. Any portion of the account that is not annuitized may be withdrawn in one or more lump-sum payments or rolled to another qualified retirement account, such as an IRA.

Proposed law prohibits a new member who has not terminated employment or retired from withdrawing funds from his DC account or borrowing against such funds.

Retirement Eligibility

Present law for TRSL, LSERS, and rank-and-file members of LASERS provides that a member hired on or after July 1, 2015, is eligible for regular retirement if he has:

- (1) Five years of service at age 62 or thereafter.
- (2) 20 years of service at any age, actuarially reduced.

Proposed law provides that, for TRSL, LSERS, and rank-and-file members of LASERS, a new member is eligible for regular retirement if he has:

- (1) Five years of service at age 65 or thereafter.
- (2) 20 years of service at age 55 or thereafter, actuarially reduced.

Present law for STPOL and the Haz. Duty members of LASERS provides that a member hired on or after July 1, 2015, is eligible for regular retirement if he has:

- (1) 12 years of service at age 55 or thereafter.
- (2) 25 years of service at any age.
- (3) 20 years of service at any age, actuarially reduced.

Proposed law provides that for STPOL and the Haz. Duty members of LASERS, a new member is eligible for regular retirement if he has:

- (1) 12 years of service at age 57 or thereafter.
- (2) 20 years of service at any age, actuarially reduced.

Disability & Death Benefits

Proposed law provides that disability and death benefits for new members shall be calculated as though the member had been hired prior to July 1, 2020 (Tier 1); however, restricts the accrual rate used in any such calculation to the hybrid plan rate applicable to the member.

Proposed law provides that if the new member did not meet the eligibility requirements for the applicable Tier 1 survivors benefits, his designated beneficiary or his estate shall receive the DC account balance the member would otherwise have been entitled to as a lump-sum or a transfer to another qualified retirement plan.

Proposed law provides that if a member does meet the Tier 1 survivor benefit qualifications, his DC account shall be divided as follows:

- (1) If there is a surviving spouse and at least one minor child or child with a disability, the surviving spouse shall receive an annuity based on one half of the account balance. The other half of the account balance shall be divided pro rata between the minor children and children with disabilities and annuitized.
- (2) If there is no surviving spouse but there is at least one minor child or child with a disability, the account shall be divided pro rata between the minor children and children with disabilities and annuitized.

Proposed law provides that a member receiving disability benefits from the defined benefit plan may access and annuitize his DC account, including employer contributions and all interest.

Proposed law provides that if a disability retiree who is under his normal retirement age is restored to active service, his disability benefit payments and access to the balance of his DC account shall cease. He shall resume contributions to the retirement system and if he continues in service for at least three years after restoration, the period of time spent on disability shall be counted toward normal retirement eligibility, but will not count towards calculation of benefits. Requires the remaining value of any annuity based on the DC account balance to be converted back into a lump sum and deposited into the member's account. Further provides that contributions to the member's DC account shall resume and be added to the balance in the account at the time he is restored to active service.

Applicability of Tier 1 Provisions

Proposed law provides that the provisions of Tier 1 that the member would have been enrolled in but for his date of hire shall apply in any case where the provisions of the Hybrid Plan are silent.

(Amends R.S. 11:62(4), (5), (10), and (11), 102(B)(1) and (3)(a), (C)(2)(a) and (b), (3)(a), (h), (j), (k), and (m), (6)(a), (b)(i), (c), and (d), (D)(2)(a) and (b), (3), (4), (5), and (6)(a), (b), and (c), (E)(1), and (F)(1), 247(A)(1), (D), and (E), 542(C), 883.1(C), 927(A) and (B)(2)(a) and (b) and (3)(a)(i), 1145.1(B), 1332(B) and (F); Adds R.S. 11:62(4.1), (5.1), (10.1), and (11.1), 102(C)(3)(n), 102.7, and 1399.1-1399.11)