

Regular Session, 2009

HOUSE BILL NO. 96

BY REPRESENTATIVE PEARSON

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

RETIREMENT/STATE-STWIDE: Relative to state and statewide retirement systems, provides for retirement option with guaranteed cost-of-living adjustments subject to an actuarial reduction of benefits

1 AN ACT

2 To enact R.S. 11:247, 446(A)(6), and 783(A)(4), relative to state and statewide retirement
3 systems; to provide relative to cost-of-living adjustments; to permit the selection of
4 a retirement option that would provide for automatic cost-of-living adjustments
5 subject to an actuarial reduction of benefits; and to provide for related matters.

6 Notice of intention to introduce this Act has been published
7 as provided by Article X, Section 29(C) of the Constitution
8 of Louisiana.

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 11:247, 446(A)(6), and 783(A)(4) are hereby enacted to read as
11 follows:

12 §247. Automatic cost-of-living adjustments

13 A.(1) Upon application for retirement or participation in the Deferred
14 Retirement Option Plan, any member of a state or statewide retirement system may
15 elect to receive an actuarially reduced retirement allowance plus an annual two and
16 one-half percent cost-of-living adjustment. Such an election shall be irrevocable
17 after the effective date of retirement or after the beginning date of participation in the
18 Deferred Retirement Option Plan. The retirement allowance together with the cost-
19 of-living adjustment shall be certified by the system actuary to be actuarially

1 equivalent to the member's maximum or optional retirement allowance and shall be
2 approved by the system's board of trustees.

3 (2) The annual cost-of-living adjustment of such retirees shall be based on
4 the retirement allowance received pursuant to the retirement plan option selected by
5 the member and the monthly benefit being paid pursuant thereto on the effective date
6 of the increase, inclusive of all prior cost-of-living adjustments.

7 (3)(a) The annual cost-of-living adjustment of any Deferred Retirement
8 Option Plan participant shall be credited to the participant's Deferred Retirement
9 Option Plan subaccount during the participation period.

10 (b) Following participation in the Deferred Retirement Option Plan, the
11 annual cost-of-living adjustment shall be applied to the monthly benefit allowance
12 amount determined by the retirement plan option selected, inclusive of all prior cost-
13 of-living adjustments. The monthly benefit allowance upon retirement shall reflect
14 the annual benefit adjustments set forth in this Paragraph.

15 (c) Upon retirement of a Deferred Retirement Option Plan participant, the
16 annual cost-of-living adjustment shall also be applied to any supplemental benefit
17 earned after the participation period in accordance with applicable law.

18 (d) The provisions of this Section shall not apply to any participant in a Back
19 -Deferred Retirement Option Plan or Program.

20 (4) If a retiree or Deferred Retirement Option Plan Participant has chosen an
21 optional retirement allowance wherein a spouse who has been designated as
22 beneficiary will receive a continuing benefit upon the retiree's or Deferred
23 Retirement Option Plan participant's death, the spouse's cost-of-living adjustment
24 shall be payable based on the spouse's allowance on the effective date of the
25 increase.

26 B. The annual cost-of-living adjustment authorized by Subsection A of this
27 Section shall be effective July first of each year and shall be payable to retirees who
28 are age fifty-five or older and not before the retiree would have attained such age if
29 his spouse is receiving the retirement allowance as his designated beneficiary.

Proposed law provides relative to the applicability of annual COLAs to DROP accounts. Provides relative payments to spouse beneficiaries. Provides that the annual COLA is not available to disability retirees in LASERS, but is available to disability retirees in other systems upon conversion to a service retirement.

Proposed law provides that any member may request from the system estimates of how much his benefit will be pursuant to proposed law for the 5th, 10th, and 15th year following his retirement, provided he certifies that he is contemplating availing himself of proposed law.

Effective July 1, 2009.

(Adds R.S. 11:247, 446(A)(6), and 783(A)(4))

Summary of Amendments Adopted by House

Committee Amendments Proposed by House Committee on Retirement to the original bill.

1. Adds provision that the election to receive the annual cost-of-living adjustment (COLA) pursuant to proposed law shall be irrevocable.
2. Clarifies that the annual COLA pursuant to proposed law shall be based on all previous COLAs.
3. Adds provision providing the method by which the annual COLA pursuant to proposed law shall be applied to Deferred Retirement Option Plan (DROP) accounts.
4. Provides that if a DROP participant names a spouse beneficiary and dies, the annual COLA pursuant to proposed law shall be based on the spouse's retirement allowance.
5. With respect to beneficiaries, limits the annual COLA's application to surviving spouses' allowances.
6. Provides that if the annual COLA pursuant to proposed law is effective on the same day as another COLA, the annual COLA shall be applied first.
7. Relative to the Louisiana State Employees' Retirement System (LASERS), provides that the annual COLA shall not be available to disability retirees. With regard to other state and statewide retirement systems, permits the application of the annual COLA to disability retirees who convert to a service retirement.
8. Provides an effective date of July 1, 2009, for proposed law.