

2016 Regular Session

HOUSE BILL NO. 32

BY REPRESENTATIVE JONES

RETIREMENT/COLAS: Authorizes payment of a benefit increase, funded by state retirement system experience accounts, to certain retirees and beneficiaries of such systems

1 AN ACT

2 To enact R.S. 11:542.2, 883.4, 1145.3, and 1331.2, relative to state retirement system
3 experience accounts; to debit funds from such accounts to pay a benefit increase to
4 certain retirees and beneficiaries of state systems; to provide qualifications for
5 receipt of such payments; to provide relative to the amount of such payments; and
6 to provide for related matters.

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

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 11:542.2, 883.4, 1145.3, and 1331.2 are hereby enacted to read as
12 follows:

13 §542.2. Permanent benefit increase; payable beginning July 1, 2016

14 A. Notwithstanding any provision of R.S. 11:542 to the contrary, the board
15 of trustees of the Louisiana State Employees' Retirement System may pay a
16 permanent benefit increase, payable beginning July 1, 2016, to the following retirees
17 and beneficiaries:

18 (1) Any retiree, other than a disability retiree, who has attained at least age
19 sixty and who has received a benefit for at least one year.

1 (2) Any nonretiree beneficiary is eligible if benefits had been paid to the
2 retiree or the beneficiary, or both combined, for at least one year and if the retiree
3 would have attained age sixty.

4 (3) Any disability retiree or a person who receives benefits from the system
5 based on the death of a disability retiree is eligible if benefits have been paid to the
6 retiree or the beneficiary, or both combined, for at least one year.

7 B. Any benefit increase paid pursuant to the provisions of this Section shall
8 be paid from the funds in the system experience account.

9 C. The amount of the increase authorized by this Section shall be an amount
10 determined by the system's actuary that is supported by the funds in the experience
11 account up to a maximum payment of one and one-half percent of the benefit
12 amount. The funds in the account shall be sufficient to fund such benefit fully on an
13 actuarial basis. If the legislative auditor's actuary disagrees with the determination
14 of the system's actuary, a permanent benefit increase shall not be granted.

15 D. The increase provided for in this Section shall only be payable on the first
16 sixty thousand dollars of a retiree or beneficiary's benefit.

17 * * *

18 §883.4. Permanent benefit increase; payable beginning July 1, 2016

19 A. Notwithstanding any provision of R.S. 11:883.1 to the contrary, the board
20 of trustees of the Teachers' Retirement System of Louisiana may pay a permanent
21 benefit increase, payable beginning July 1, 2016, to the following retirees and
22 beneficiaries:

23 (1) Any retiree, other than a disability retiree, who has attained at least age
24 sixty and who has received a benefit for at least one year.

25 (2) Any nonretiree beneficiary is eligible if benefits had been paid to the
26 retiree or the beneficiary, or both combined, for at least one year and if the retiree
27 would have attained age sixty.

1 (3) Any disability retiree or a person who receives benefits from the system
 2 based on the death of a disability retiree is eligible if benefits have been paid to the
 3 retiree or the beneficiary, or both combined, for at least one year.

4 B. Any benefit increase paid pursuant to the provisions of this Section shall
 5 be paid from the funds in the system experience account.

6 C. The amount of the increase authorized by this Section shall be an amount
 7 determined by the system's actuary that is supported by the funds in the experience
 8 account up to a maximum payment of one and one-half percent of the benefit
 9 amount. The funds in the account shall be sufficient to fund such benefit fully on an
 10 actuarial basis. If the legislative auditor's actuary disagrees with the determination
 11 of the system's actuary, a permanent benefit increase shall not be granted.

12 D. The increase provided for in this Section shall only be payable on the first
 13 sixty thousand dollars of a retiree or beneficiary's benefit.

14 * * *

15 §1145.3. Cost-of-living adjustment; payable beginning July 1, 2016

16 A. Notwithstanding any provision of R.S. 11:1145.1 to the contrary, the
 17 board of trustees of the Louisiana School Employees' Retirement System may pay
 18 a cost-of-living adjustment, payable beginning July 1, 2016, to the following retirees
 19 and beneficiaries:

20 (1) Any retiree, other than a disability retiree, who has attained at least age
 21 sixty and who has received a benefit for at least one year.

22 (2) Any nonretiree beneficiary is eligible if benefits had been paid to the
 23 retiree or the beneficiary, or both combined, for at least one year and if the retiree
 24 would have attained age sixty.

25 (3) Any disability retiree or a person who receives benefits from the system
 26 based on the death of a disability retiree is eligible if benefits have been paid to the
 27 retiree or the beneficiary, or both combined, for at least one year.

28 B. Any benefit increase paid pursuant to the provisions of this Section shall
 29 be paid from the funds in the system experience account.

1 C. The amount of the increase authorized by this Section shall be an amount
2 determined by the system's actuary that is supported by the funds in the experience
3 account up to a maximum payment of two percent of the benefit amount. The funds
4 in the account shall be sufficient to fund such benefit fully on an actuarial basis. If
5 the legislative auditor's actuary disagrees with the determination of the system's
6 actuary, a cost-of-living adjustment shall not be granted.

7 D. The increase provided for in this Section shall only be payable on the first
8 sixty thousand dollars of a retiree or beneficiary's benefit.

9 * * *

10 §1331.2. Cost-of-living adjustment; payable beginning July 1, 2016

11 A. Notwithstanding any provision of R.S. 11:1332 to the contrary, the board
12 of trustees of the State Police Retirement System may pay a cost-of-living
13 adjustment, payable beginning July 1, 2016, as follows:

14 (1) In accordance with Subsection C of this Section, the board may pay a
15 cost-of-living adjustment to the following retirees and beneficiaries:

16 (a) Any retiree, other than a disability retiree, who has attained at least age
17 sixty and who has received a benefit for at least one year.

18 (b) Any nonretiree beneficiary is eligible if benefits had been paid to the
19 retiree or the beneficiary, or both combined, for at least one year and if the retiree
20 would have attained age sixty.

21 (c) Any disability retiree or a person who receives benefits from the system
22 based on the death of a disability retiree is eligible if benefits have been paid to the
23 retiree or the beneficiary, or both combined, for at least one year.

24 (2) In accordance with Subsection D of this Section, the board may pay a
25 supplemental cost-of-living adjustment to all retirees and beneficiaries who are at
26 least age sixty-five.

27 B. Any benefit increases paid pursuant to the provisions of this Section shall
28 be paid from the funds in the system experience account.

1 C. The amount of the increase authorized by Paragraph (A)(1) of this Section
 2 shall be an amount determined by the system's actuary that is supported by the funds
 3 in the experience account after any credits or debits to the account up to a maximum
 4 payment of two percent of the benefit amount. The funds in the account shall be
 5 sufficient to fund such benefit fully on an actuarial basis. If the legislative auditor's
 6 actuary disagrees with the determination of the system's actuary, a cost-of-living
 7 adjustment shall not be granted.

8 D. The amount of the increase authorized by Paragraph (A)(2) of this Section
 9 shall be an amount determined by the system's actuary that is supported by the funds
 10 in the experience account after payment of the increase granted pursuant to
 11 Paragraph (A)(1) of this Section up to a maximum payment of two percent of the
 12 benefit amount. The funds in the account shall be sufficient to fund such benefit
 13 fully on an actuarial basis. If the legislative auditor's actuary disagrees with the
 14 determination of the system's actuary, such cost-of-living adjustment shall not be
 15 granted.

16 E. The increases provided for in this Section shall only be payable on the
 17 first sixty thousand dollars of a retiree or beneficiary's benefit.

18 Section 2. Any cost of this Act not funded by payments made pursuant to the
 19 provisions of Section 1 of this Act shall be funded with additional employer contributions
 20 in compliance with Article X, Section 29(F) of the Constitution of Louisiana.

21 Section 3. This Act shall become effective on June 30, 2016; if vetoed by the
 22 governor and subsequently approved by the legislature, this Act shall become effective on
 23 June 30, 2016, or on the day following such approval by the legislature, whichever is later.

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 32 Engrossed

2016 Regular Session

Jones

Abstract: Authorizes payment of a permanent benefit increase (or COLA) up to the present law maximum for each state retirement system for certain retirees and beneficiaries of such systems.

Present law, relative to the four state retirement systems—La. State Employees' Retirement System (LASERS), Teachers' Retirement System of La. (TRSL), La. School Employees' Retirement System (LSERS), and State Police Retirement System (STPOL)—establishes an "experience account" within each system for the accumulation of certain system funds. Provides for utilization of these funds for benefit increases, commonly called "cost-of-living adjustments" (COLAs), for retirees, survivors, and beneficiaries of the system. Provides that the following classes of retirees and beneficiaries are eligible for a COLA paid pursuant to present law:

- (1) Any retiree who has received a benefit for at least one year and who has attained at least age 60.
- (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 age 60.
- (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.

Proposed law retains present law.

Present law authorizes payment of a COLA every other year when a system is below 80% funded. The last COLA paid from the experience accounts was in July of 2014.

Present law further provides that the amount of a COLA paid pursuant to present law is the lesser of:

- (1) An amount determined by the system's funded ratio.
- (2) The CPI-U for the preceding year.

Proposed law provides that notwithstanding present law limitations, a COLA is authorized for the retirees and beneficiaries of each of the four state retirement systems. Requires use of the funds from the system experience accounts to fund such a payment.

Proposed law provides that retirees and beneficiaries who would qualify for a COLA under present law qualify for receipt of the COLA authorized by proposed law. Proposed law further provides and clarifies that a disability retiree or a person who receives benefits from the system based on the death of a disability retiree is eligible if benefits have been paid to the retiree or the beneficiary or both combined for at least one year.

Proposed law provides that the amount of the COLA shall be an amount supported by the funds in the system's experience account up to the following maximum amounts:

- (1) For LASERS, 1.5% of the benefit amount.
- (2) For TRSL, 1.5% of the benefit amount.
- (3) For LSERS, 2% of the benefit amount.
- (4) For STPOL, 2% of the benefit amount.

Present law for STPOL further authorizes payment of a 2% supplemental COLA to retirees and beneficiaries who are age 65 or older. Proposed law authorizes payment of such a supplemental COLA in an amount, up to 2%, that is supported by the funds in the experience account after payment of the general COLA authorized pursuant to proposed law.

Proposed law provides that the benefit increases shall only be paid on the first \$60,000 of a retiree's or beneficiary's benefit.

Proposed law provides that any cost of the Act not funded by payments made from the system experience account shall be funded with additional employer contributions in compliance with Art. X, §29(F) of the Constitution of La.

Effective June 30, 2016.

(Adds R.S. 11:542.2, 883.4, 1145.3, and 1331.2)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Retirement to the original bill:

1. Remove provisions outlining the order of debits and credits of the system experience accounts.
2. Clarify relative to eligibility of disability retirees for the COLA.