

2016 Regular Session

HOUSE BILL NO. 32

BY REPRESENTATIVES JONES, ARMES, BACALA, BAGLEY, BILLIOT, BOUIE, TERRY BROWN, CARPENTER, ROBBY CARTER, COX, FRANKLIN, GAINES, HALL, HAZEL, HILL, HOWARD, HUNTER, JACKSON, JAMES, JEFFERSON, JENKINS, ROBERT JOHNSON, TERRY LANDRY, MACK, MAGEE, MARCELLE, MCFARLAND, MIGUEZ, DUSTIN MILLER, MONTOUCET, MORENO, NORTON, PIERRE, POPE, PRICE, PYLANT, REYNOLDS, SEABAUGH, SHADOIN, SMITH, WILLMOTT, AND ZERINGUE

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

1 permanent benefit increase, payable beginning July 1, 2016, to the following retirees  
2 and beneficiaries:

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

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

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

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

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

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

21 \* \* \*

22 §883.4. Permanent benefit increase; payable beginning July 1, 2016

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

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





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

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

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

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

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

26          Section 3. This Act shall become effective on June 30, 2016; if vetoed by the  
27 governor and subsequently approved by the legislature, this Act shall become effective on  
28 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 Reengrossed

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.