

2020 Regular Session

HOUSE BILL NO. 32

BY REPRESENTATIVE IVEY

RETIREMENT/TEACHERS: Establishes an optional hybrid retirement plan for members of the Teachers' Retirement System of Louisiana

1 AN ACT

2 To amend and reenact R.S. 11:62(11)(introductory paragraph), 102(B)(1) and (3)(a),  
3 (D)(2)(a) and (b), (4), (5), and (6)(a), (b), and (c), 247(A)(1), (D), and (E), 883.1(C),  
4 927(A) and (B)(2)(a) and (b) and (3)(a)(i), and to enact R.S. 11:62(11.1), (D)(3)(d),  
5 102.7, and Chapter 7 of Subtitle II of Title 11 of the Louisiana Revised Statutes of  
6 1950, comprised of R.S. 11:1399.1 through 1399.11, relative to benefits for public  
7 employees whose first employment making them eligible for membership in  
8 Teachers' Retirement System of Louisiana occurs on or after a date certain; to  
9 provide with respect to membership, credits, eligibility, accruals, and benefits of  
10 such members; to provide with respect to employee and employer contributions; to  
11 provide relative to system assets and liabilities attributable to such members; and to  
12 provide for related matters.

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

16 Be it enacted by the Legislature of Louisiana:

17 Section 1 R.S. 11:62(11)(introductory paragraph), 102(B)(1) and (3)(a), (D)(2)(a)  
18 and (b), (4), (5), and (6)(a), (b), and (c), 247(A)(1), (D), and (E), 883.1(C), 927(A) and  
19 (B)(2)(a) and (b) and (3)(a)(i) are hereby amended and reenacted and R.S. 11:62(11.1),  
20 (D)(3)(d), 102.7, and Chapter 7 of Subtitle II of Title 11 of the Louisiana Revised Statutes

1 of 1950, comprised of R.S. 11:1399.1 through 1399.11, are hereby enacted to read as  
2 follows:

3 §62. Employee contribution rates established

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

6 \* \* \*

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

8 \* \* \*

9 (11.1) Teachers' Retirement System of Louisiana members in the hybrid  
10 retirement plan - the amount calculated pursuant to R.S. 11:102.7.

11 \* \* \*

12 §102. Employer contributions; determination; state systems

13 \* \* \*

14 B.(1) Except as provided in R.S. 11:102.1, 102.2, 102.3, 102.4, ~~and 102.5,~~  
15 and 102.7 and in Paragraph (5) of this Subsection, for each fiscal year, commencing  
16 with Fiscal Year 1989-1990, for each of the public retirement systems referenced in  
17 Subsection A of this Section, the legislature shall set the required employer  
18 contribution rate as follows:

19 (a) ~~for each system or plan~~ For each plan except the hybrid plans, the rate  
20 shall be set equal to the actuarially required employer contribution, as determined  
21 pursuant to the provisions of this Section, divided by the total projected payroll of  
22 all active members of each ~~particular system or~~ such plan for the fiscal year.

23 (b) For the hybrid plans, the rate shall be set equal to the actuarially required  
24 employer contribution, as determined under Paragraph (3) of this Subsection, divided  
25 by the total projected payroll of all active members of the hybrid plan for the fiscal  
26 year.



1 year thereafter, the outstanding balances of amortization bases established pursuant  
 2 to Items (B)(3)(d)(i) through (iv) of this Section shall be amortized as a level-dollar  
 3 amount. Effective for the June 30, 2011 system valuation and beginning with Fiscal  
 4 Year 2012-2013, amortization payments for changes in actuarial liability shall be  
 5 determined in accordance with this Subsection. Beginning with Fiscal Year 2021-  
 6 2022, the outstanding balances of amortization bases established pursuant to  
 7 (B)(3)(d)(i) through (iv) of this Section shall also be calculated in accordance with  
 8 the provisions of R.S. 11:102.7.

9 (b) Notwithstanding the provisions of Subparagraph (a) of this Paragraph,  
 10 effective for the June thirtieth valuation following the fiscal year in which the system  
 11 first attains a funded percentage of seventy or more pursuant to R.S. 11:883.1 and  
 12 for every year thereafter, the amortization period for the changes, gains, or losses of  
 13 the system provided in Items (B)(3)(d)(i) through (iv) of this Section occurring in  
 14 that year or thereafter shall be twenty years from the year in which the change, gain,  
 15 or loss occurred. Beginning with Fiscal Year 2021-2022, the outstanding balances  
 16 of amortization bases established pursuant to (B)(3)(d)(i) through (iv) of this Section  
 17 shall also be calculated in accordance with the provisions of R.S. 11:102.7.

18 \* \* \*

19 (3) The provisions of this Paragraph and Paragraphs (4) through (9) of this  
 20 Subsection shall be effective for the June 30, 2011 system valuation and beginning  
 21 Fiscal Year 2012-2013. For purposes of this Subsection, "plan" or "plans" shall  
 22 mean a subgroup within the system characterized by the following employee  
 23 classifications:

24 \* \* \*

25 (d) Members of the hybrid plan.

26 (4) Effective for the June 30, 2011 system valuation and beginning with  
 27 Fiscal Year 2012-2013, the normal cost calculated pursuant to Subparagraph  
 28 (B)(3)(a) of this Section and R.S. 11:102.7, shall be calculated separately for each

1 particular plan within the system. An employer shall pay employer contributions for  
2 each employee at the rate applicable to the plan of which that employee is a member.

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

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

12 (a) The particularized normal cost rate. The normal cost rate for each fiscal  
13 year shall be the employer's normal cost for employees in the plan computed by  
14 applying the method specified in Paragraph (B)(1) and Subparagraph (B)(3)(a) of  
15 this Section and R.S. 11:102.7 to the plan.

16 (b) The shared unfunded accrued liability rate. A single rate shall be  
17 computed for each fiscal year, applicable to all plans for actuarial changes, gains, and  
18 losses existing on June 30, 2011, or occurring thereafter, including experience and  
19 investment gains and losses, which are independent of the existence of the plans  
20 listed in Paragraph (3) of this Subsection, the payment and rate therefor shall be  
21 calculated as provided in this Subsection and Paragraphs (B)(1) and (3) of this  
22 Section and R.S. 11:102.7.

23 (c) The particularized unfunded accrued liability rate. For actuarial changes,  
24 gains, and losses, excluding experience and investment gains and losses, first  
25 recognized in the June 30, 2011 valuation or in any later valuation, attributable to  
26 one or more, but not all, plans listed in Paragraph (3) of this Subsection or to some  
27 new plan or plans, created, implemented, or enacted after July 1, 2011, a

1 particularized contribution rate shall be calculated as provided in this Subsection and  
2 Paragraphs (B)(1) and (3) of this Section and R.S. 11:102.7.

3 \* \* \*

4 §102.7. Contribution rates for hybrid plan members

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

7 (1) "New member" shall mean any member who has opted into the hybrid  
8 plan.

9 (2) "Tier" shall mean any formal subset of new members classified by  
10 similar benefit provisions.

11 B. Notwithstanding any provision of law to the contrary, new members shall  
12 share the following costs equally with their employer:

13 (1) The normal cost of the new member's benefit, which shall include the  
14 total monthly credit to the new member's defined contribution account.

15 (2) Any change in the new member's normal cost.

16 (3) The proportional share of the amortization cost for liability schedules  
17 created on or after July 1, 2021.

18 C. For each tier, the dollar amount of costs provided for in Subsection B of  
19 this Section shall be calculated each year by adding together the following:

20 (1) The normal cost for the new members in such tier computed at the  
21 interest rate specified in R.S. 11:1399.5.

22 (2) That fiscal year's payment, computed as of the first of that fiscal year and  
23 projected to the middle of that fiscal year at the interest rate specified in R.S.  
24 11:1399.5 and using the amortization method specified in R.S. 11:102, 102.1, 102.2,  
25 102.3, and 102.4, and this Section, necessary to amortize that portion of any  
26 unfunded accrued liability created on or after July 1, 2020, that is attributable to  
27 members in the tier.

28 (3) That fiscal year's payment, computed as of the first of that fiscal year and  
29 projected to the middle of that fiscal year at the interest rate specified in R.S.



1 disability retirement benefits pursuant to the provisions of this Title shall be eligible  
2 to elect this retirement option upon conversion to a service retirement, if applicable,  
3 under the provisions of this Title for each state or statewide retirement system.

4 \* \* \*

5 §883.1. Experience account

6 \* \* \*

7 C.(1) In accordance with the provisions of this Section, the board of trustees  
8 may recommend to the president of the Senate and the speaker of the House of  
9 Representatives that the system be permitted to grant a permanent benefit increase  
10 to retirees who are not members of the hybrid plan 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 of the hybrid plan shall be eligible for a benefit adjustment  
15 pursuant to the provisions of this Section nor shall any beneficiary who receives  
16 benefits based on the death or disability of such a member be eligible for a benefit  
17 adjustment pursuant to the provisions of this Section.

18 \* \* \*

19 §927. Contributions

20 A. Regardless of the date of employment making him eligible for  
21 membership in an applicable state retirement system, each ~~Each~~ participant shall  
22 contribute monthly to the optional retirement plan the same amount which he would  
23 be required to contribute to the Tier 1 regular retirement plan of the Teachers'  
24 Retirement System of Louisiana if he were a member of that retirement plan.  
25 Participant contributions may be made by employer pick-up in accordance with the  
26 provisions of Section 414(h)(2) of the United States Internal Revenue Code or any  
27 amendment thereto. The entirety of each participant's contribution, less any monthly  
28 fee established by the board to cover the cost of administration and maintenance of

1 the optional retirement plan, shall be remitted to the appropriate designated company  
2 or companies for application to the participant's contract or contracts.

3 B.

4 \* \* \*

5 (2)(a) Beginning July 1, 2014, and continuing through Fiscal Year 2017-  
6 2018, each higher education board created by Article VIII of the Constitution of  
7 Louisiana and each employer institution and agency under its supervision and control  
8 shall contribute to the Teachers' Retirement System of Louisiana on behalf of each  
9 participant in the optional retirement plan the sum of:

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

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

14 (b) Beginning July 1, 2018, each higher education board created by Article  
15 VIII of the Constitution of Louisiana and each employer institution and agency under  
16 its supervision and control shall contribute to the Teachers' Retirement System of  
17 Louisiana on behalf of each participant in the optional retirement plan the sum of:

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

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

21 \* \* \*

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

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

4 \* \* \*

5 CHAPTER 7. HYBRID PLAN FOR THE TEACHERS' RETIREMENT SYSTEM  
6 OF LOUISIANA

7 §1399.1. Hybrid plan creation

8 A. There is hereby created within the Teachers' Retirement System of  
9 Louisiana a hybrid plan.

10 B. The provisions of Chapter 2 of this Subtitle shall be known as "Tier 1".

11 C. The defined contribution portion of the hybrid plan shall be administered  
12 by the Department of the Treasury.

13 §1399.2. Definitions

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

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

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

25 §1399.3. Hybrid plan membership

26 A. Members of the Teachers' Retirement System of Louisiana whose first  
27 employment making them eligible for membership in the system occurs on or after  
28 July 1, 2021, may become members of the hybrid plan. Members in the hybrid plan

1 shall participate simultaneously in a defined benefit plan and in a defined  
2 contribution plan.

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

8 §1399.4. Contributions and credits

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

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

13 B.(1) Each hybrid plan member's defined contribution account shall be  
14 credited with an amount equal to ten percent of pay monthly.

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

17 C.(1) With regards to the defined contribution portion of the hybrid plan,  
18 upon receipt of employee and employer contributions, the system shall promptly  
19 transfer to the Department of the Treasury an amount equal to one half of the normal  
20 cost percentage calculated pursuant to R.S. 11:102.7, which shall be credited to the  
21 employee's account.

22 (2) With regards to the defined benefit portion of the hybrid plan, the  
23 remainder of the employee and employer contributions shall be applied to the  
24 defined benefit normal cost and unfunded accrued liability costs as provided in R.S.  
25 11:102.7.

26 §1399.5. Defined benefit portion

27 A.(1) Defined benefits in the plan shall accrue at one percent of the  
28 member's average compensation for each year of creditable service in the plan.

1           (2) A member's accrued defined benefit shall not exceed one hundred percent  
2           of his average compensation.

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

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

12           (2) Notwithstanding the provisions of Paragraph (1) of this Subsection, upon  
13           retirement, a hybrid plan member may elect to receive his defined benefit in a  
14           retirement allowance payable throughout his life or may elect to receive the actuarial  
15           equivalent of his retirement allowance in a reduced retirement allowance payable  
16           throughout life pursuant to any retirement option available to members of Tier 1 of  
17           his system, including initial lump sum payment options.

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

23           §1399.6. Defined contribution portion

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

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

1           B.(1) The Department of the Treasury shall select no more than three  
2           companies from which contracts will be purchased for the provision of defined  
3           contribution accounts for employees. In setting the criteria for this selection, the  
4           Department of the Treasury shall consider, among other things, the following:

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

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

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

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

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

16                  (2) The Department of the Treasury shall select from the funds offered by  
17                  each provider a minimum of ten and a maximum of twenty-five funds in a range of  
18                  risk and return profiles that will be offered to its members. At least one of the  
19                  investment options selected by the Department of the Treasury from each provider  
20                  shall be a fund with a guaranteed rate of return.

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

28                  D. Upon death or retirement, whichever occurs first, a member with at least  
29                  five years of participation in the defined contribution plan shall have a vested right

1 to all employer contributions made to his account and to interest on the employee  
2 and employer contributions. The rights of members terminating service prior to  
3 retirement shall be as follows:

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

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

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

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

18 §1399.7. Retirement eligibility

19 A member of the hybrid plan shall be eligible for retirement if he has:

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

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

27 §1399.8. Disability and death benefits

28 A.(1) The defined benefit plan disability and death benefits shall be as  
29 otherwise determined and provided in Tier 1; however, the accrual rate used to

1 calculate any such benefits shall not exceed the member's accrual rate in the hybrid  
2 plan.

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

9 B. A member receiving disability benefits based on defined benefit plan  
10 provisions shall be entitled to access to his defined contribution account as provided  
11 in R.S. 11:1399.6(C), including interest on contributions as provided in R.S.  
12 11:1399.6(D).

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

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

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

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

26 D. If any disability retiree of the hybrid retirement plan who is under his  
27 normal retirement age is restored to active service, his defined benefit retirement  
28 allowance and ability to access his defined contribution account shall cease, he shall  
29 again become a member of the retirement system, and he shall contribute thereafter

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

13       §1399.9. Cost-of-living adjustments on defined benefit

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

17                (a) Two percent of the benefit amount.

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

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

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

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

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

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

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

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

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

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

13          §1399.10. Commingling of assets and accounting

14          Assets of the defined benefits portion of a hybrid plan shall be commingled  
15          with assets of the other system plans for investment purposes. Assets of this plan  
16          shall be available to fund benefits of all plans within the system, including this plan.

17          A fictitious account for this tier of benefits shall be established for the purposes of  
18          accounting for assets and liabilities of this plan and determining funding  
19          requirements of this plan.

20          §1399.11. Applicability

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

24          Section 2. The cost of this Act, if any, shall be funded with additional employer  
25          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 32 Original

2020 Regular Session

Ivey

**Abstract:** Establishes an optional hybrid retirement plan for members of the Teachers' Retirement System of La. (TRSL) whose first employment making them eligible for membership in a state system occurred on or after July 1, 2021.

Present law establishes four state retirement systems – the La. State Employees' Retirement System, the Teachers' Retirement System of La., the La. School Employees' Retirement System, and the State Police Retirement System – and provides a defined benefit retirement plan for members of each system. Proposed law establishes an optional hybrid retirement plan (Hybrid Plan) – consisting of a combination of a defined benefit pension and a defined contribution (DC) account – that is available to members of TRSL whose first employment making them eligible for membership in a state system occurs on or after July 1, 2021 (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 who opt into the Hybrid Plan 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 who opt into the Hybrid Plan, 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 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 Hybrid Plan members. Further establishes a 1% accrual rate for regular retirement benefit calculations for Hybrid Plan 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 who opts into the Hybrid Plan. Requires the Dept. of the Treasury (department) to select up to three third-party providers who will administer the DC accounts for new members. Establishes criteria for the department to use in evaluating potential third-party providers. Requires the department 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 shall be credited with 10% 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 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 a hybrid 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.

### **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, 2021 (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(11)(intro. para.), 102(B)(1) and (3)(a), (D)(2)(a) and (b), (4), (5), and (6)(a), (b), and (c), 247(A)(1), (D), and (E), 883.1(C), 927(A) and (B)(2)(a) and (b) and (3)(a)(i); Adds R.S. 11:62(11.1), (D)(3)(d), 102.7, and 1399.1-1399.11)