

Regular Session, 2014

SENATE BILL NO. 17

BY SENATOR LONG

TEACHERS RETIREMENT. Provides for a supplemental benefit increase. (2/3 - CA 10s29(F)) (6/30/14)

1 AN ACT

2 To amend and reenact R.S. 11:883.1.1, relative to increases of benefits received from the
3 Teachers' Retirement System of Louisiana; to provide for a supplemental permanent
4 benefit increase; to provide for funding; to provide for an effective date; and to
5 provide for related matters.

6 Notice of intention to introduce this Act has been published.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 11:883.1.1 is hereby amended and reenacted to read as follows:

9 §883.1.1. Supplemental cost-of-living increases ~~for 2007~~; payment from experience
10 account

11 A. The Constitution of Louisiana requires the legislature to provide for the
12 retirement of teachers and other employees of the public educational system of the
13 state. The legislature finds that providing ~~generous~~ retirement benefits for our public
14 educational employees is an important element of the complete compensation
15 package the state provides for service in Louisiana's public educational system. In
16 order to maintain the purchasing power of the benefit of a retiree of the Teachers'
17 Retirement System of Louisiana, periodic increases in the benefit amount are

1 necessary to offset increases in the cost of ordinary living expenses. When the timing
2 of such increases is infrequent or erratic, it becomes difficult for such increases to
3 protect the retiree from falling behind financially.

4 B. The legislature recognizes that while providing periodic ~~cost-of-living~~
5 **benefit** increases is necessary to preserve the standard of living of our retired public
6 educational system employees, such increases have a price which is ultimately paid
7 by the taxpayers through allocation of employer contributions to the system.
8 Increases should therefore be limited to a reasonable level, to prevent the expense
9 of such increases from causing an undue burden on the state and local fisc and
10 therefore on the taxpayers. Additionally, such increases are not meant to function as
11 pay raises, but merely to maintain the standard of living of the recipients, keeping
12 pace with the Consumer Price Index for All Urban Consumers, U.S. city average for
13 all items (CPI-U).

14 C.(1) The legislature has provided for an employee experience account, a
15 mechanism for determining each year whether a ~~cost-of-living~~ **benefit** increase may
16 be granted and the amount of any such increase that is permitted. The provisions of
17 R.S. 11:883.1 prohibit any ~~cost-of-living~~ increase paid from experience account
18 funds from being in excess of three percent, helping to limit the expense of granting
19 each such increase to a reasonable level. Additionally, if the growth of the CPI-U is
20 less than three percent, then the increase from the experience account is also of this
21 lesser percent.

22 (2)(a) For an increase payable on July 1, 2007, the application of the
23 experience account mechanism results in a determination that, if the system properly
24 complies with all other requirements of the experience account statute and subject
25 to the approval of the legislature, the board of trustees of the Teachers' Retirement
26 System of Louisiana may grant an increase to eligible retirees, survivors, and
27 beneficiaries equal to the CPI-U for the 2006 calendar year of two and one-half
28 percent.

29 **(b) For an increase payable on July 1, 2014, the application of the**

1 **experience account mechanism results in a determination that, subject to the**
2 **approval of the legislature, eligible retirees, survivors, and beneficiaries shall**
3 **receive an increase equal to the CPI-U for the 2013 calendar year of one and**
4 **one-half of one percent.**

5 D.(1)(a) Considering the factual and policy statements in Subsections A, B,
6 and C of this Section, and taking into account that retired employees of the public
7 educational system have not received a cost-of-living increase for four consecutive
8 years due to market conditions and the lack of sufficient funds in the experience
9 account, the legislature finds that, for the July 1, 2007, cost-of-living increase
10 payable pursuant to the experience account statute, permitting the board to grant the
11 maximum three-percent increase allowable pursuant to the provisions of the
12 experience account statute without regard to the CPI-U helps preserve the purchasing
13 power of retired employees of the public educational system, their survivors, and
14 beneficiaries without creating an undue financial burden on the state or the
15 taxpayers.

16 **(b) Considering the factual and policy statements in Subsections A, B,**
17 **and C of this Section, and taking into account that retired employees of the**
18 **public educational system did not receive a benefit increase for five consecutive**
19 **years due to market conditions, the legislature finds that, for the July 1, 2014,**
20 **permanent benefit increase payable pursuant to the experience account statute,**
21 **granting a supplemental increase of an amount to be determined later without**
22 **regard to the CPI-U helps preserve the purchasing power of retired employees**
23 **of the public educational system, their survivors, and beneficiaries without**
24 **creating an undue financial burden on the state or the taxpayers.**

25 (2)(a) Notwithstanding the provisions of R.S. 11:883.1(B)(2) and (C)(1) and
26 (2) limiting any increase granted from experience account funds and payable July 1,
27 2007, to two and one-half percent, the board of trustees of the Teachers' Retirement
28 System of Louisiana is authorized to grant from the funds in the experience account
29 a supplemental cost-of-living increase of one-half of one percent, which may be paid

1 beginning July 1, 2007, providing all other requirements of R.S. 11:883.1 are met
2 and the total level of the increase granted does not exceed three percent.

3 **(b) Notwithstanding the provisions of R.S. 11:883.1(B)(2) and (C)(1) and**
4 **(2) limiting any increase granted from experience account funds and payable**
5 **July 1, 2014, to one and one-half of one percent, the legislature grants from the**
6 **funds in the experience account a supplemental permanent benefit increase of**
7 **an amount to be determined later, to be paid beginning July 1, 2014, provided**
8 **all other requirements of R.S. 11:883.1 are met and the total level of the**
9 **increase granted does not exceed the sum of the CPI-U and the amount to be**
10 **determined later.**

11 E.**(1)** Except for the authority to grant a supplemental one-half of one percent
12 increase payable July 1, 2007, nothing in this Section shall be construed to grant the
13 board of trustees of the Teachers' Retirement System of Louisiana any additional
14 authority to grant or to recommend to the legislature that it be permitted to grant a
15 cost-of-living increase greater than the increase as calculated pursuant to the
16 provisions of R.S. 11:883.1 as they exist on June 30, 2007.

17 **(2) Nothing in this Section shall be construed to grant the board of**
18 **trustees of the Teachers' Retirement System of Louisiana any additional**
19 **authority to recommend that the legislature grant a permanent benefit increase**
20 **greater than the increase as calculated pursuant to the provisions of R.S.**
21 **11:883.1.**

22 Section 2. A. The actuarial cost of the benefit provisions of this Act shall be funded
23 from the experience account of the Teachers' Retirement System of Louisiana in compliance
24 with Article X, Section 29(F) of the Constitution of Louisiana.

25 B. The additional actuarial cost, if any, of the benefit provisions of this Act not
26 funded from the experience account shall be funded with increased employer contributions
27 in compliance with Article X, Section 29(F) of the Constitution of Louisiana.

28 Section 3. This Act shall become effective on June 30, 2014; if vetoed by the
29 governor and subsequently approved by the legislature, this Act shall become effective on

1 June 30, 2014, or on the day following such approval by the legislature, whichever is later.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Laura Gail Sullivan.

DIGEST

Long (SB 17)

Present law (R.S. 11:883.1), relative to the Teachers' Retirement System of La. (Teachers or TRSL), provides for the accumulation of certain system funds in an "experience account". Provides for utilization of these funds for permanent benefit increases (PBIs), sometimes called cost-of-living adjustments or COLAs for retirees, survivors, and beneficiaries of the system. Provides for determination of eligibility for and the amount of any increase paid with these funds.

Proposed law provides for a supplemental benefit increase for retirees, survivors, and beneficiaries eligible for a PBI pursuant to present experience account law. Provides that this increase shall be an additional amount to be determined later.

Effective June 30, 2014.

(Amends R.S. 11:883.1.1)