

2020 Regular Session

HOUSE BILL NO. 19

BY REPRESENTATIVE BACALA

RETIREMENT/MUNICIPAL POL: Establishes a funding deposit account for the Municipal Police Employees' Retirement System and authorizes the board of trustees of the system to modify required employer contribution rates

1 AN ACT

2 To enact R.S. 11:2225.5 and to repeal R.S. 11:107.2 and 2225(A)(7), relative to the
3 Municipal Police Employees' Retirement System; to provide relative to the authority
4 of the board of trustees of the Municipal Police Employees' Retirement System to
5 modify employer contribution rates in certain circumstances; to establish a
6 cost-of-living adjustment pre-funding account within the Municipal Police
7 Employees' Retirement System; to provide relative to cost-of-living adjustments; and
8 to provide for related matters.

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

12 Be it enacted by the Legislature of Louisiana:

13 Section 1. R.S. 11:2225.5 is hereby enacted to read as follows:

14 §2225.5. Cost-of-living adjustment pre-funding account

15 A.(1) There is hereby established a cost-of-living adjustment pre-funding
16 account. Such account shall be credited and charged solely as provided in this
17 Section.

18 (2) The balance in the account shall be set equal to zero as of June 30, 2022.

1 (3)(a) Notwithstanding the provisions of R.S. 11:103 and 104, for fiscal
2 years beginning on or after July 1, 2021, the board of trustees may require a net
3 direct contribution rate of up to eighty-five hundredths of one percent more than the
4 rate determined under R.S. 11:103.

5 (b) For any fiscal year terminating on or after June 30, 2022, in which the
6 board of trustees, pursuant to the provisions of Subparagraph (a) of this Paragraph,
7 sets the direct employer contribution rate higher than the rate determined under R.S.
8 11:103, an amount equal to the amount by which the actual board-authorized rate
9 exceeds the rate determined under R.S. 11:103 multiplied by the total actual payroll
10 for the fiscal year shall be transferred to the account.

11 B. The funds in the account shall earn interest annually at the
12 board-approved valuation interest rate, and the interest shall be credited to the
13 account at least once a year.

14 C. Beginning with the June 30, 2022, valuation, the board of trustees may
15 in any fiscal year direct that funds from the account be charged to provide a
16 cost-of-living adjustment as provided in Subsection E of this Section.

17 D. For funding purposes, any asset value utilized in the calculation of the
18 actuarially required employer contribution shall be reduced by the cost-of-living
19 adjustment pre-funding account balance as of the asset determination date for such
20 calculation.

21 E.(1) Notwithstanding the provisions of R.S. 11:241 and 246, after June 30,
22 2020, the board of trustees may only provide cost-of-living adjustments in
23 accordance with Paragraph (2) of this Subsection.

24 (2) The board of trustees may provide a cost-of-living adjustment to all
25 retirees and beneficiaries who are sixty-five years of age or over, in an amount equal
26 to two percent of the benefit that was originally paid to the beneficiary. The first
27 cost-of-living adjustment provided after June 30, 2020, if not payable from the
28 cost-of-living adjustment pre-funding account, may be provided only if the board of
29 trustees has received a rate of return in excess of the valuation interest rate based on

1 the actuarial value of assets for the current fiscal year and has sufficient investment
 2 income in excess of that determined by the application of the valuation interest rate
 3 to the actuarial value of assets to pay for the cost-of-living adjustment. If the
 4 requirements of R.S. 11:243(D), (E), and (G) are met, then the cost-of-living
 5 adjustment may be payable from the excess interest. Thereafter, all cost-of-living
 6 adjustments may be provided only from the cost-of-living adjustment pre-funding
 7 account when sufficient funds are available.

8 Section 2. R.S. 11:107.2 and R.S. 11:2225(A)(7) are hereby repealed in their
 9 entirety.

10 Section 3. This Act shall become effective on June 30, 2020; if vetoed by the
 11 governor and subsequently approved by the legislature, this Act shall become effective on
 12 June 30, 2020, 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 19 Reengrossed

2020 Regular Session

Bacala

Abstract: Authorizes the Municipal Police Employees' Retirement System (MPERS) to increase required employer contribution rates in certain circumstances and establishes a cost-of-living adjustment pre-funding account within the system for collection of contribution remittances above the actuarially required amount.

Present law provides for employer contribution rates within MPERS. Provides that in any fiscal year during which the recommended employer contribution rate would otherwise be decreased, the board of trustees may either maintain the previous fiscal year's employer contribution rate or set the employer contribution rate at any point between the previous year's rate and the recommended rate.

Present law further provides that any excess funds resulting from the board's exercise of its authority shall be combined with any contribution surplus, or offset by any contribution shortfall, and the resulting balance, if greater than zero, shall be applied for the following purposes:

- (1) To reduce system unfunded accrued liabilities.
- (2) To reduce the outstanding amortization charge base or bases.

Proposed law establishes a cost-of-living adjustment pre-funding account within MPERS and further provides that the system may only provide for cost-of-living adjustments from the funding deposit account. Authorizes the board of trustees to require a net direct contribution to the pre-funding account of up to .85% more than otherwise authorized by present law.

Present law provides that MPERS may provide a supplemental cost-of-living adjustment from interest income from investments to all retirees and beneficiaries who are 65 years of age or over provided certain requirements are met. Proposed law provides that after June 30, 2020, the first of such cost-of-living increase may be funded under present law, and any such cost-of-living increase thereafter may only be funded through the funding deposit account.

Effective June 30, 2020.

(Adds R.S. 11:2225.5; Repeals R.S. 11:107.2 and 2225(A)(7))

Summary of Amendments Adopted by House

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

1. Create a fund specifically for funding cost-of-living adjustments.
2. Change the percent by which MPERS can increase required employer contribution rates.