2023 Regular Session

HOUSE BILL NO. 34

BY REPRESENTATIVE BACALA

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

RETIREMENT/MUNICIPAL POL: Provides relative to the funding deposit account for Municipal Police Employees' Retirement System and authorizes the board of trustees of the system to modify employer contributions

| 1 | AN ACT |
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| 2 | To enact R.S. 11:2225.5 and to repeal R.S. 11:107.2, 243(A)(8), 246(A)(8), and 2225(A)(7), |
| 3 | relative to the Municipal Police Employees' Retirement System; to establish a |
| 4 | funding deposit account; to provide for source of funding therefor; to authorize the |
| 5 | board of trustees to adjust employer contribution rates; to provide for additional |
| 6 | payments to retirees, survivors, and beneficiaries; to provide for funding of, |
| 7 | eligibility for, and payment of the additional payments; to provide for payment of |
| 8 | system liabilities; to provide for an effective date; and 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 | <u>§2225.5. Funding deposit account</u> |
| 15 | A.(1) There is hereby established a funding deposit account, hereafter in this |
| 16 | Section referred to as the "account". The account shall be credited and charged |
| 17 | solely as provided in this Section. |
| 18 | (2) The balance in the account shall be set equal to zero as of July 1, 2023. |

| 1 | (3) The funds in the account shall earn interest annually at the board |
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| 2 | approved valuation interest rate, and the interest shall be credited to the account once |
| 3 | <u>a year.</u> |
| 4 | B.(1) Notwithstanding any provision of R.S. 11:103 or 104, for fiscal years |
| 5 | beginning on or after July 1, 2023, the board of trustees may require a net direct |
| 6 | contribution rate of up to the following applicable limit: |
| 7 | (a) For a year in which the employer contribution rate determined under R.S. |
| 8 | 11:103 is equal to or greater than the rate determined under R.S. 11:103 for the |
| 9 | previous year, the rate determined under R.S. 11:103 plus eighty-five hundredths of |
| 10 | one percentage point. |
| 11 | (b) For a year in which the employer contribution rate determined under R.S. |
| 12 | 11:103 is lower than the rate determined under R.S. 11:103 for the previous year, the |
| 13 | rate determined under R.S. 11:103 plus eighty-five hundredths of one percentage |
| 14 | point plus one-half of the difference between the rates determined for the two years. |
| 15 | (2) For any fiscal year in which the board of trustees sets the direct employer |
| 16 | contribution rate higher than the rate determined under R.S. 11:103, excess |
| 17 | contributions resulting from the higher rate shall be used as provided in Paragraph |
| 18 | (C)(1) of this Section or transferred to the account as provided in Paragraph $(C)(2)$ |
| 19 | of this Section. |
| 20 | C.(1) Except as provided in Paragraph (2) of this Subsection, any excess |
| 21 | contributions resulting from the board's exercise of its authority pursuant to |
| 22 | Paragraph (B)(1) of this Section shall be applied, until exhausted, exclusively to |
| 23 | reduce the outstanding balance of the oldest positive amortization base; however, the |
| 24 | future payments for such amortization base shall continue to be made according to |
| 25 | the original amortization schedule established in compliance with the requirements |
| 26 | of Article X, Section 29(E)(3) of the Constitution of Louisiana and R.S. 11:103 until |
| 27 | the outstanding balance is fully liquidated. |
| 28 | (2) The board of trustees may dedicate a specific amount of excess |
| 29 | contributions, up to the amount generated by setting the rate equal to eighty-five |

| 1 | hundredths of one percentage point more than the rate determined under R.S. 11:103, |
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| 2 | to be used solely to pay additional benefits to retirees, survivors, and beneficiaries. |
| 3 | The dedicated amount of funds shall be credited to the account. |
| 4 | D. Beginning with the June 30, 2024, valuation, the board of trustees may, |
| 5 | in any fiscal year, direct that the account be charged to provide additional benefits |
| 6 | to retirees, survivors, and beneficiaries as provided in Subsection F of this Section. |
| 7 | E. The monies in the account shall not be considered system assets for |
| 8 | purposes of calculating employer contributions. |
| 9 | F.(1) Funding for additional benefits for retirees, survivors, and beneficiaries |
| 10 | shall be provided only from the funding deposit account and only when sufficient |
| 11 | funds are available as determined by the actuary. The additional benefits shall be |
| 12 | payable only as determined by the board of trustees, and the board shall determine |
| 13 | the following: |
| 14 | (a) Whether the additional benefit will be a nonrecurring lump-sum payment |
| 15 | or a permanent benefit increase. Any additional benefit paid under the provisions of |
| 16 | this Subsection shall be in the form of a nonrecurring lump sum no more frequently |
| 17 | than once in a three-year period. |
| 18 | (b) Whether the additional benefit will be calculated based upon the original |
| 19 | or current benefit. |
| 20 | (c) Whether a minimum age will be required to receive an additional benefit. |
| 21 | (d) Whether a minimum period since benefit commencement longer than the |
| 22 | period required in Subparagraph (2)(b) of this Subsection will be required to receive |
| 23 | an additional benefit. |
| 24 | (2)(a) The amount of any permanent benefit increase shall not exceed three |
| 25 | percent of the benefit to be used in the calculation in accordance with Subparagraph |
| 26 | (1)(b) of this Subsection. |
| 27 | (b) No additional benefit shall be payable until at least one year has elapsed |
| 28 | since benefit commencement. |

| 1 | (3) Approval of additional benefits for retirees, survivors, and beneficiaries | | |
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| 2 | as provided in this Subsection shall be made by formal action of the board of trustees | | |
| 3 | and shall be considered amendments to the plan provisions of the retirement system. | | |
| 4 | Section 2. R.S. 11:107.2, 243(A)(8), 246(A)(8), and 2225(A)(7) are hereby repealed | | |
| 5 | in their entirety. | | |
| 6 | Section 3. In incorporating the statutory provisions of this Act into the Louisiana | | |
| 7 | Revised Statutes of 1950, the Louisiana State Law Institute: | | |
| 8 | (1) Shall not renumber the Section enacted by this Act but shall instead | | |
| 9 | replace R.S. 11:2225.5 as enacted by Act No. 360 of the 2022 Regular Session of the | | |
| 10 | Legislature with the same Section as enacted by this Act. | | |
| 11 | (2) Shall include citations of this Act in all notes regarding the repeal of all | | |
| 12 | statutory provisions repealed in this Act. | | |
| 13 | Section 4. This Act shall become effective on July 1, 2023; if vetoed by the governor | | |
| 14 | and subsequently approved by the legislature, this Act shall become effective on July 1, | | |
| 15 | 2023, or on the day following such approval by the legislature, whichever is later. | | |
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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)]

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Abstract: Establishes a funding deposit account for the Municipal Police Employees' Retirement System (MPERS) for the purpose of funding additional benefits for retirees, survivors, and beneficiaries.

<u>Proposed law</u> establishes a funding deposit account for MPERS.

<u>Proposed law</u> authorizes the board of trustees to require an employer contribution rate up to the following limits:

- (1) When the contribution rate is equal or greater than the previous year's rate, the board can set the rate at the otherwise required rate plus .85%.
- (2) When the contribution rate is lower than the previous year's rate, the board can set the rate at the otherwise required rate plus .85% plus half the difference between the rates for the two years.

<u>Proposed law</u> required that excess contribution be applied to reduce the outstanding balance of the oldest amortization base or to additional benefits for retirees, survivors, and beneficiaries.

<u>Proposed law</u> authorizes the board to dedicate a specific amount of the excess contributions, .85% greater than the contribution rate, to fund additional benefits.

<u>Proposed law</u> provides that a additional benefits shall be paid only with funds from the funding deposit account and only when funds are sufficient.

<u>Proposed law</u> provides that the board of trustees shall determine the following when granting additional benefits:

- (1) Whether the benefits are permanent or nonrecurring. Provides that a nonrecurring lump-sum payment may be paid from the funding deposit account only once in any three-year period.
- (2) Whether the benefits are based on the retiree or survivor's current or original benefit.
- (3) Whether a minimum age is required.
- (4) Whether a retiree or survivor is required to meet a minimum period since benefit commencement.

<u>Proposed law</u> provides that permanent benefits increases may not exceed 3% of benefit, and additional benefits are not payable until one year after benefit commencement.

<u>Proposed law</u> requires that an adjustment to benefits be made by formal action by the board of trustees.

Effective July 1, 2023.

(Adds R.S. 11:2225.5; Repeals R.S. 11:107.2, 243(A)(8), 246(A)(8), and 2225(A)(7))