

Regular Session, 2012

HOUSE BILL NO. 61

BY REPRESENTATIVE PEARSON

RETIREMENT/STATE SYSTEMS: Provides for a cash balance plan for certain state employees

1 AN ACT

2 To amend and reenact R.S. 11:62(4)(introductory paragraph), (5)(introductory paragraph),
3 and (11)(introductory paragraph), 102(B)(1) and (3)(a) and (d)(v), (vi), and (vii),
4 542(A)(2)(a), 883.1(A)(2)(a), and 1145.1(A)(1)(introductory paragraph) and (a) and
5 (E), and to enact R.S. 11:62(4.1), (5.1), and (11.1), 102(C)(1)(m), 542(C)(4)(d)(iii)
6 and (e)(iii), 883.1(C)(4)(d)(iii) and (e)(iii), 1145.1(C)(4)(a)(iii) and (b)(iii), and
7 Chapter 7 of Subtitle II of Title 11 of the Louisiana Revised Statutes of 1950, to be
8 comprised of R.S. 11:1399-1399.5, relative to state retirement systems; to create a
9 cash balance plan in certain state systems; to provide for contributions, credits,
10 eligibility, and benefits; to provide for an effective date; and to provide for related
11 matters.

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

15 Be it enacted by the Legislature of Louisiana:

16 Section 1. R.S. 11:62(4)(introductory paragraph), (5)(introductory paragraph), and
17 (11)(introductory paragraph), 102(B)(1) and (3)(a) and (d)(v), (vi), and (vii), 542(A)(2)(a),
18 883.1(A)(2)(a), and 1145.1(A)(1)(introductory paragraph) and (a) and (E) are hereby
19 amended and reenacted and R.S. 11:62(4.1), (5.1), and (11.1), 102(C)(1)(m),
20 542(C)(4)(d)(iii) and (e)(iii), 883.1(C)(4)(d)(iii) and (e)(iii), 1145.1(C)(4)(a)(iii) and (b)(iii),

and Chapter 7 of Subtitle II of Title 11 of the Louisiana Revised Statutes of 1950, to be comprised of R.S. 11:1399 - 1399.5, are hereby enacted to read as follows:

§62. Employee contribution rates established

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

* * *

(4) Louisiana School Employees' Retirement System members in Tier 1:

* * *

(4.1) Louisiana School Employees' Retirement System members in the cash balance plan - 8%.

* * *

(5) Louisiana State Employees' Retirement System members in Tier 1:

* * *

(5.1) Louisiana State Employees' Retirement System members in the cash balance plan - 8%.

* * *

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

* * *

(11.1) Teachers' Retirement System of Louisiana members in the cash balance plan - 8%.

* * *

§102. Employer contributions; determination; state systems

* * *

B.(1) Except as provided in Subsection C of this Section for the Louisiana State Employees' Retirement System and except as provided in R.S. 11:102.1 and 102.2 and in Paragraph (5) of this Subsection, for each fiscal year, commencing with Fiscal Year 1989-1990, for each of the public retirement systems referenced in Subsection A of this Section, the legislature shall set the required employer contribution rate equal to the actuarially required employer contribution, as

determined under Paragraph (3) of this Subsection, divided by the total projected payroll of all active members including cash balance plan members of each particular system for the fiscal year. Each entity funding a portion of a member's salary shall also fund the employer's contribution on that portion of the member's salary at the employer contribution rate specified in this Subsection.

* * *

(3) With respect to each state public retirement system, the actuarially required employer contribution for each fiscal year, commencing with Fiscal Year 1989-1990, shall be that dollar amount equal to the sum of:

(a) The employer's normal cost for that fiscal year, computed as of the first of the fiscal year using the system's actuarial funding method as specified in R.S. 11:22 and taking into account the value of future accumulated employee contributions and interest thereon, such employer's normal cost rate multiplied by the total projected payroll for all active members including cash balance plan members to the middle of that fiscal year. For the Louisiana State Employees' Retirement System, effective for the June 30, 2010, system valuation and beginning with Fiscal Year 2011-2012, the normal cost shall be determined in accordance with Subsection C of this Section.

* * *

(d) That fiscal year's payment, computed as of the first of that fiscal year and projected to the middle of that fiscal year at the actuarially assumed interest rate, necessary to amortize changes in actuarial liability due to:

* * *

(v) Effective July 1, 2004, and beginning with Fiscal Year 1998-1999, the amortization period for the changes, gains, or losses of the Louisiana State Employees' Retirement System provided in Items (i) through (iv) of this Subparagraph shall be thirty years, or in accordance with standards promulgated by the Governmental Accounting Standards Board, from the year in which the change, gain, or loss occurred. The outstanding balances of amortization bases established

1 pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year
2 1998-1999, shall be amortized as a level dollar amount from July 1, 2004, through
3 June 30, 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year
4 thereafter, the outstanding balances of amortization bases established pursuant to
5 Items (i) through (iv) of this Subparagraph and for any changes, gains, or losses
6 attributable to the cash balance plan shall be amortized as a level dollar amount. For
7 the Louisiana State Employees' Retirement System, effective for the June 30, 2010,
8 system valuation and beginning with Fiscal Year 2011-2012, amortization payments
9 for changes in actuarial liability shall be determined in accordance with Subsection
10 C of this Section.

11 (vi) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the
12 amortization period for the changes, gains, or losses of the Louisiana School
13 Employees' Retirement System provided in Items (i) through (iv) of this
14 Subparagraph and for any changes, gains, or losses attributable to the cash balance
15 plan shall be thirty years, or in accordance with standards promulgated by the
16 Governmental Accounting Standards Board, from the year in which the change, gain,
17 or loss occurred. The outstanding balances of amortization bases established
18 pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year 2000-
19 2001, shall be amortized as a level dollar amount from July 1, 2004, through June 30,
20 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the
21 outstanding balances of amortization bases established pursuant to Items (i) through
22 (iv) of this Subparagraph shall be amortized as a level dollar amount.

23 (vii) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the
24 amortization period for the changes, gains, or losses of the Teachers' Retirement
25 System of Louisiana provided in Items (i) through (iv) of this Subparagraph and for
26 any changes, gains, or losses attributable to the cash balance plan shall be thirty
27 years, or in accordance with standards promulgated by the Governmental Accounting
28 Standards Board, from the year in which the change, gain, or loss occurred. The
29 outstanding balances of amortization bases established pursuant to Items (i) through

(iv) of this Subparagraph before Fiscal Year 2000-2001, shall be amortized as a level dollar amount from July 1, 2004, through June 30, 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the outstanding balances of amortization bases established pursuant to Items (i) through (iv) of this Subparagraph shall be amortized as a level dollar amount.

* * *

C.(1) This Subsection shall be applicable to the Louisiana State Employees' Retirement System effective for the June 30, 2010, system valuation and beginning Fiscal Year 2011-2012. For purposes of this Subsection, "plan" or "plans" shall mean a subgroup within the system characterized by the following employee classifications:

* * *

(m) Members in the cash balance plan.

* * *

§542. Experience account

A.(1) * * *

(2) The experience account shall be credited as follows:

(a) To the extent permitted by Paragraph (3) of this Subsection and after allocation to the consolidated amortization bases as provided in R.S. 11:102.1, an amount not to exceed fifty percent of the remaining balance of the prior year's net investment experience gain attributable to Tier 1 assets as determined by the system's actuary.

* * *

C.(1)

* * *

(4)(a)

* * *

(d) Except as provided in Subparagraph (c) of this Paragraph, in order to be eligible for any permanent benefit increase payable on or after July 1, 2009, there

shall be the funds available in the experience account to pay for such an increase, and
a retiree:

* * *

(iii) Shall be a member of Tier 1.

(e) Except as provided in Subparagraph (c) of this Paragraph, a nonretiree
beneficiary shall be eligible for the permanent benefit increase payable on or after
July 1, 2009:

* * *

(iii) If the benefits are based on Tier 1 service.

* * *

§883.1. Experience account

A.(1) * * *

(2) The experience account shall be credited as follows:

(a) To the extent permitted by Paragraph (3) of this Subsection and after
allocation to the consolidated amortization bases as provided in R.S. 11:102.2, an
amount not to exceed fifty percent of the remaining balance of the prior year's net
investment experience gain attributable to Tier 1 assets as determined by the system's
actuary.

* * *

C.(1)

* * *

(4)(a)

* * *

(d) Except as provided in Subparagraph (c) of this Paragraph, in order to be
eligible for any permanent benefit increase payable on or after July 1, 2009, there
shall be the funds available in the experience account to pay for such an increase, and
a retiree:

* * *

(iii) Shall be a member of Tier 1.

1 (e) Except as provided in Subparagraph (c) of this Paragraph, a nonretiree
2 beneficiary shall be eligible for the permanent benefit increase payable on or after
3 July 1, 2009:

4 * * *

5 (iii) If the benefits are based on Tier 1 service.

6 * * *

7 §1145.1. ~~Employee Experience Account~~ account

8 A.(1) The ~~Employee Experience Account~~ experience account shall be
9 credited as follows:

10 (a) To the extent permitted by Paragraph (2) of this Subsection, an amount
11 not to exceed fifty percent of the prior year's net investment experience gain
12 attributable to Tier 1 assets as determined by the system's actuary.

13 * * *

14 C.(1) * * *

15 (4)(a) Except as provided in Subparagraph (c) of this Paragraph, in order to
16 be eligible for the cost-of-living adjustment, there shall be the funds available in the
17 ~~Employee Experience Account~~ experience account to pay for such an adjustment,
18 and a retiree:

19 * * *

20 (iii) Shall be a member of Tier 1.

21 (b) Except as provided in Subparagraph (c) of this Paragraph, a non-retiree
22 beneficiary shall be eligible for the cost-of-living adjustment:

23 * * *

24 (iii) If benefits are based on Tier 1 service.

25 * * *

26 E. Effective July 1, 2007, the balance in the ~~Employee Experience Account~~
27 experience account shall be zero.

28 * * *

1 CHAPTER 7. CASH BALANCE PLAN FOR STATE RETIREMENT SYSTEMS

2 §1399. Cash balance plan creation

3 A. There is hereby created within each of the following state retirement
4 systems a cash balance plan:

5 (1) Louisiana State Employees' Retirement System.

6 (2) Teachers' Retirement System of Louisiana.

7 (3) Louisiana School Employees' Retirement System.

8 B. The provisions of each system in effect on June 29, 2012, including any
9 special plans, shall be known as "Tier 1".

10 §1399.1. Cash balance plan membership

11 A. Mandatory membership. The following employees whose first
12 employment making them eligible for membership in one of the state systems
13 occurred on or after January 1, 2013, shall be members of the cash balance plan of
14 their respective systems:

15 (1) Employees covered by the Louisiana State Employees' Retirement
16 System who are not members of the Hazardous Duty Services Plan pursuant to R.S.
17 11:612.

18 (2) Employees covered by the Teachers' Retirement System of Louisiana
19 who are employed by an institution of post-secondary education and who do not
20 become members of the optional retirement plan.

21 B. Optional membership. (1) Except as provided in Paragraph (2) of this
22 Subsection, any employee who is a member of Tier 1 of his retirement system may
23 at any time make an irrevocable election to join the cash balance plan of the
24 retirement system on a prospective basis.

25 (2) No member of the Hazardous Duty Services Plan and no person who
26 would have been a member of such plan had his first employment occurred after
27 December 31, 2010, shall be permitted to elect to join the cash balance plan.

1 §1399.2. Cash balance plan account accumulation

2 A. Contributions. (1) Each employee shall contribute to the retirement system
3 the amount specified in R.S. 11:62.

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

6 B. Credits. The cash balance plan member's account shall be credited with
7 an amount equal to twelve percent of pay monthly. The credits shall include all
8 employee contributions.

9 C. Interest. (1) For the duration of service covered by the cash balance plan,
10 interest shall be payable on the balance in the member's account on the last day of
11 the fiscal year. The member's account shall be credited with interest at an annual rate
12 equal to the system's actuarial rate of return on investments, after smoothing, for that
13 fiscal year less one hundred basis points.

14 (2) No interest shall be credited after the member separates from service
15 covered by the cash balance plan of his retirement system.

16 (3) In no case shall the balance in the employee's account be debited for
17 investment losses.

18 D. Withdrawal from the cash balance plan. A cash balance plan member
19 who separates from employment covered by his retirement system may withdraw
20 from the cash balance plan.

21 (1) Upon application for withdrawal, an employee who has been a cash
22 balance plan member for less than five years shall receive a refund of employee
23 contributions without interest. The system shall retain all interest and any employer
24 contributions.

25 (2) Upon application for withdrawal, an employee who has been a cash
26 balance plan member for five years or longer shall receive a lump-sum payment of
27 his account balance. The employee may opt to leave his account balance with the
28 system and draw an annuity pursuant to R.S. 11:1399.3 when he attains age sixty.

1 (3)(i) A cash balance plan member shall not be eligible to utilize the years
2 of his membership in the cash balance plan for purposes of reciprocal recognition of
3 credited service pursuant to R.S. 11:142.

4 (ii) A cash balance plan member who elects to withdraw from the cash
5 balance plan after becoming a member of another Louisiana public retirement system
6 may execute the withdrawal provided in this Subsection pursuant to the provisions
7 of R.S. 11:143 to transfer or reverse transfer his years of membership in the cash
8 balance plan as service credit to another retirement system. However, the provisions
9 of R.S. 11:143(C) shall not apply to such transaction; instead, the system from which
10 the member is withdrawing shall transfer to the receiving system only the amount the
11 member is entitled to receive pursuant to Paragraph (2) or (3) of this Subsection.
12 The transfer shall be executed on an actuarial basis. If the funds transferred from the
13 cash balance plan are insufficient to cover the actuarial liabilities created, the
14 member shall pay the difference or receive actuarially reduced service credit, as
15 provided in R.S. 11:143.

16 (4) If a cash balance plan member dies without having withdrawn from the
17 cash balance plan pursuant to this Subsection or annuitized his benefit pursuant to
18 R.S. 11:1399.3, or if a member becomes disabled, the system shall pay to his
19 designated beneficiary or to his estate a lump-sum payment of his account balance.
20 §1399.3 Retirement eligibility; benefit calculation

21 A. Eligibility for retirement. A cash balance plan member is eligible to draw
22 an annuity with five years of membership in the cash balance plan at age sixty. The
23 annuity payment amount shall be calculated as provided in Subsection B of this
24 Section.

25 B. Annuitization of retirement benefit. (1) Upon application for retirement
26 any member may elect to receive an annuity in a retirement allowance payable
27 throughout his life, or he may elect at that time to receive the actuarial equivalent of
28 his retirement allowance in a reduced retirement allowance payable throughout life,
29 pursuant to any retirement option provided for Tier 1 members of his system.

1 (2) No member of the cash balance plan shall be eligible to participate in any
2 deferred retirement option plan or program or any similar retirement option that
3 requires continued employment for participation, nor shall such a member be eligible
4 to participate in any back-deferred retirement option plan or program. However, a
5 cash balance plan member may participate in any initial benefit option, initial lump
6 sum benefit option, or any similar retirement option designed to provide a reduced
7 annuity in exchange for a lump-sum payment which is selected upon separation from
8 service.

9 §1399.4. Reemployment

10 If, after withdrawing from the cash balance plan upon separation from service
11 or after annuitizing his benefit, a cash balance plan member becomes reemployed in
12 a position covered by the cash balance plan, the person's accumulation in the cash
13 balance plan pursuant to R.S. 11:1399.2 shall begin again. However, the
14 reemployment shall not affect the receipt of the lump sum or annuitized payments
15 from the first cash balance account.

16 §1399.5. Application

17 The provisions of the applicable Tier 1 system or plan shall apply to the cash
18 balance plan for any matter on which this Chapter is silent. In case of any conflict
19 between the provisions of Tier 1 and the cash balance plan, the cash balance plan
20 shall prevail.

21 Section 2. As soon as practicable after the effective date of this Act, the Public
22 Retirement Systems' Actuarial Committee shall meet to adopt a revised valuation for the
23 system, prepared as provided in R.S. 11:102. This valuation shall include a revised
24 employer contribution rate for each system or plan within the system to be utilized in the
25 fiscal year which begins on July 1, 2012.

26 Section 3. This Act shall become effective on June 30, 2012; if vetoed by the
27 governor and subsequently approved by the legislature, this Act shall become effective on
28 June 30, 2012, 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)]

Pearson

HB No. 61

Abstract: Creates a cash balance retirement plan for certain members of the La. State Employees' Retirement System (LASERS), the Teachers' Retirement System of La. (TRSL), and the La. School Employees' Retirement System (LSERS)

Proposed law provides for a cash balance retirement plan for certain members LASERS, TRSL, and LSERS.

Effective June 30, 2012.

(Amends R.S. 11:62(4)(intro. para.), (5)(intro. para.), and (11)(intro. para.), 102(B)(1) and (3)(a) and (d)(v), (vi), and (vii), 542(A)(2)(a), 883.1(A)(2)(a), and 1145.1(A)(1)(intro. para.) and (a) and (E); Adds R.S. 11:62(4.1), (5.1), and (11.1), 102(C)(1)(m), 542(C)(4)(d)(iii) and (e)(iii), 883.1(C)(4)(d)(iii) and (e)(iii), 1145.1(C)(4)(a)(iii) and (b)(iii), and Chapter 7 of Subtitle II of Title 11 of the La. Revised Statutes of 1950, to be comprised of R.S. 11:1399 - 1399.5)