
DIGEST

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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 (CBP) for certain members LASERS, TRSL, and LSERS.

Proposed law requires non-hazardous duty new members of LASERS and postsecondary education new members of TRSL, hired on or after July 1, 2013, to be members of the CBP.

Proposed law permits employees of LASERS, TRSL, and LSERS, except members of the Hazardous Duty Services Plan of LASERS, to opt into the CBP.

Proposed law establishes an annual credit of 12% to the CBP member's account. This 12% includes the employee's contribution. Provides for an interest credit annually to each member's account of the system's actuarial rate of return, after smoothing, less 1%. Provides the CBP member's account cannot be debited for losses.

Proposed law further provides for withdrawal by an employee from the CBP. If a member with less than five years withdraws from the plan, he will receive a refund of all employee contributions, without interest. If a member with five years or more withdraws from the plan, he is entitled to receive the entirety of the balance of his account, either in a lump sum or as a direct transfer to another qualified plan or individual retirement account. Such employee may also opt to leave his account balance with the system and draw an annuity pursuant to proposed law when the member attains age 60.

Proposed law provides that a CBP member may not use his years of service in the CBP for reciprocal recognition of service under present law. Provides that a member may transfer his years of service to another La. public retirement system should he become a member of such system. Should a member elect this option, the difference between the cost of his accrued years in the new system versus the amount in his CBP account will be calculated and the member may pay the difference in order to realize the total number of years, or he may take a transfer of the number of years his account balance will buy in the new system.

Proposed law provides for death, disability, and survivor benefits. If a CBP member dies without withdrawing from the plan or annuitizing his benefit, or if he becomes disabled, his designated

beneficiary or his estate shall receive a lump-sum payment of his account balance.

Proposed law provides for annuitization of a CBP member's benefit. A member is eligible for an annuity if he has at least five years of membership in the CBP and has attained age 60. Provides further that the member may elect to receive an annuity throughout his life or he may elect to receive the actuarial equivalent of his retirement allowance as a reduced retirement allowance payable throughout his life pursuant to any retirement option provided in present law for defined benefit plan members. Provides that the system shall annuitize and pay any such allowance chosen by the member.

Proposed law prohibits a CBP member from participating in the Deferred Retirement Option Program (DROP) or any similar program that requires continued employment for participation. Nor shall any CBP member be eligible for Back-DROP.

Proposed law authorizes a CBP member to elect an initial benefit option, an initial lump sum benefit option, or any similar retirement option designed to provide a reduced annuity in exchange for a lump-sum payment upon separation of service.

Under proposed law, if a CBP member withdraws from the plan or annuitizes his benefit and then becomes reemployed in a position covered by the CBP, he shall start over from zero in terms of time in the CBP and benefit accruals. Such reemployment will not, however, affect his receipt of the lump sum or annuity from his first cash balance account.

Proposed law provides that the defined benefit plan provisions shall apply to the CBP for any matter on which the CBP provisions are silent. In case of conflict between the defined benefit plan provisions and the CBP provisions, the CBP provisions control.

Further provides that the Public Retirement Systems Actuarial Committee (PRSAC) shall meet as soon as practicable after the effective date of the Act to adopt a revised valuation for the system. Such revised valuation shall include a revised employer contribution rate for each plan within the system to be utilized in FY 2012-2013. Requires the revised valuation to take into account all changes enacted by the legislature in the 2012 R.S. Further authorizes PRSAC at such meeting to adopt a valuation prepared on behalf of the division of administration by a qualified actuary.

Provides for an expedited hearing in the courts for any legal issues raised in relation to the Act. Establishes venue in the 19th Judicial District. Requires that the attorney general and the governor be given notice and an opportunity to be heard. Requests a final disposition of legal issues at least 30 days prior to the pre-filing deadline for the 2013 R.S.

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), (C)(4)(a)(intro. para.), 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 1399-1399.5)

Summary of Amendments Adopted by House

Committee Amendments Proposed by House Committee on Retirement to the original bill.

1. Changes the date the Cash Balance Plan (CBP) becomes mandatory from Jan. 1, 2013 to July 1, 2013.
2. Removes a prohibition on members who would have been in the Hazardous Duty Plan if they had been hired after Dec. 31, 2010, from opting into the CBP.
3. Authorizes a CBP member who has more than five years of membership in the plan upon withdrawal from the plan to take the total of his account balance as a direct transfer to another qualified retirement plan or an individual retirement account.
4. Requires the system to annuitize and pay any retirement option elected by a qualified CBP member.
5. Requires the valuation to be adopted by the Public Retirement Systems Actuarial Committee (PRSAC) to take into account all changes enacted by the legislature in the 2012 R.S.
6. Authorizes PRSAC to adopt for FY 2012-2013 an actuarial valuation or revised employer contribution rate prepared on behalf of the division of administration by a qualified actuary.
7. Adds an expedited hearing provision regarding legal challenges to the Act.