

(KEYWORD, SUMMARY, AND DIGEST as amended by Senate committee amendments)

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

DIGEST

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 members of LASERS, TRSL, and LSERS, whose first employment making them eligible for state system membership occurred on or after July 1, 2013, except members of the Hazardous Duty Services Plan of LASERS, to opt into the CBP at the time of hire.

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%. Interest payments shall be made after the Public Retirement Systems' Actuarial Committee adopts an actuarial valuation containing the actuarial rate of return for the system. Further provides that a CBP member will not be credited with interest for months that he was not a member of the plan. 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 certain other types of accounts. 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 use his years of service in the CBP for reciprocal recognition of service under present law. Provides that a member who becomes eligible for membership in a cash balance plan in another Louisiana public retirement system may withdraw the amount he is entitled to under proposed law in order to transfer his account to the other system.

Proposed law provides for survivor benefits for members of the CBP. If the decedent leaves no surviving children allows the surviving spouse to choose either: (i) the benefit he or she would have been entitled to had the deceased been in the applicable defined benefit plan OR (ii) the lump sum of the deceased's CBP account balance. If the decedent leaves surviving children, allows the spouse and surviving children to receive the applicable defined benefit plan benefit. If the deceased member did not meet the eligibility requirements under the applicable defined benefit plan for a survivor benefit, allows the designated beneficiary or the deceased's estate to receive the CBP account balance.

Proposed law provides for disability benefits for members of the CBP. Allows the member to elect to receive either: (i) the lump-sum of his CBP account balance OR (ii) the applicable defined benefit plan disability benefit if he otherwise meets the eligibility requirements for such benefit.

Proposed law provides that, if a member chooses to receive the Tier 1 survivor or disability benefit, the balance of the member's cash balance plan shall remain at the system.

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. Provides that in no case shall the system pay total benefits of an amount less than the employee's accumulated contributions.

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 or in 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.

Proposed law, provides that if a CBP member withdraws from the plan or annuitizes his benefit and then becomes reemployed in a position covered by the CBP, accumulation in the CBP shall resume. Such reemployment shall 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.

Proposed law provides that the Public Retirement Systems Actuarial Committee (PRSAC) may adopt a valuation prepared on behalf of the division of administration by a qualified actuary after proposed law becomes effective.

Requires the division of administration to study the feasibility of enrolling cash balance plan members in Social Security and report its findings to PRSAC at the committee's first meeting in 2013.

Requires the division of administration to perform a cost-benefit analysis of providing an increased pay scale for employees required to be in the cash balance plan.

Provides for an expedited hearing in the courts for any legal issues raised in relation to the proposed law. Establishes venue in the 19th Judicial District Court. Requests a final disposition of legal issues at least 30 days prior to the prefiling 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 1399.1-1399.7)

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.

House Floor Amendments to the engrossed bill.

1. Requires the division of administration to study the feasibility of enrolling cash balance plan members in Social Security and report its findings to PRSAC.
2. Requires the division of administration to perform a cost-benefit analysis of providing an increased pay scale for employees required to be in the cash balance plan.
3. Provides that interest is to be credited after PRSAC approves the system's actuarial rate of return.
4. Authorizes a CBP member who transferred to defined benefit plan in another system to use his years of service in the CBP to meet the regular retirement eligibility in that defined benefit plan.
5. Establishes provisions governing current defined benefit members who opt into the CBP. Provides that such members will be considered members of both plans and that decisions or elections made in one plan will not automatically apply to the other plan. Further:
 - (a) Allows a member to withdraw or retire from one plan but not the other.
 - (b) Provides options for members who retire under one plan but do not have enough years of service to retire under the other.
 - (c) Allows a member to use his years of membership in the cash balance plan to meet retirement eligibility requirements in the defined benefit plan.
 - (d) Provides relative to survivor and disability benefits for such members.
 - (e) Provides relative to members returning to work.
6. Provides that a current employee may not opt into the CBP if his employee contribution rate is different from what would be required under the CBP unless his current plan and the CBP have received approval from the IRS that such action will not adversely affect the tax qualification status of either system.
7. Provides for survivor benefits for members of the CBP. Allows the surviving spouse to choose either: (i) the benefit he or she would have been entitled to had the deceased been in the applicable defined benefit plan OR (ii) the lump sum of the deceased's CBP account balance. Allows the surviving children to receive the applicable defined benefit plan benefit. If the deceased member did not meet the

eligibility requirements under the applicable defined benefit plan for a survivor benefit, allows the designated beneficiary or the deceased's estate to receive the CBP account balance.

8. Provides for disability benefits for members of the CBP. Allows the member to elect to receive either: (i) the lump-sum of his CBP account balance OR (ii) the applicable defined benefit plan disability benefit if he otherwise meets the eligibility requirements for such benefit.
9. Removes requirement that the attorney general and the governor be served if suit is filed.

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Retirement to the reengrossed bill

1. Provides for technical corrections.
2. Provides that, if a member chooses to receive the Tier 1 survivor or disability benefit, the balance of the member's cash balance plan shall remain at the system.
3. Removes the provision allowing current members to opt into the cash balance plan.