

HOUSE SUMMARY OF SENATE AMENDMENTS

House Bill No. 61 by Representative Pearson

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

Synopsis of Senate Amendments

1. Adds employees of the postsecondary management boards to those covered by proposed law.
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 (CBP) shall remain at the system. Further provides for calculation of such Tier 1 benefit for the CBP member.
3. Provides further relative to annuitization of the CBP account balance.
4. Removes the provision allowing current employees to opt into the CBP.
5. Allows an employee whose membership in the CBP is not mandatory to elect to join the CBP. Such election must be made within 60 days after employment and is irrevocable.
6. Authorizes the Public Retirement Systems' Actuarial Committee (PRSAC) to adopt a valuation for the FY 12-13 which has been submitted to the committee by the division of administration.
7. Removes authority for a former CBP member to apply years of service in the CBP to retirement eligibility in a defined benefit plan.

Present law with regard to the Louisiana State Employees' Retirement System (LASERS), the Teachers' Retirement System of Louisiana (TRSL), and the Louisiana School Employees' Retirement System (LSERS) provides for benefits for any person whose first employment making him eligible for state system membership began on or after Jan. 1, 2011. All such members of LSERS, TRSL, and all non-hazardous duty members of LASERS have the following general benefit design:

- (1) Employee contributions of 8% of pay.
- (2) Eligibility for retirement with an unreduced benefit with five years of service at age 60.
- (3) Eligibility for retirement with an actuarially-reduced benefit with 20 years at any age.
- (4) Lifetime annuity calculated according to the formula:
(2.5%) x (years of service) x (final average compensation of highest 60 months)

Proposed law provides for a cash balance retirement plan (CBP) for certain members LASERS, and all members of TRSL and LSERS, whose first employment making them eligible for state system membership begins on or after July 1, 2013. For certain of these members membership in the CBP will be mandatory, for others it will be elective, outlined further below.

The CBP has the following general benefit design, which is further detailed below:

- (1) Employee contributions of 8% of pay.
- (2) Additional pay credits of 4% of pay, plus interest, for the duration of state service.
- (3) Account balance never decreases.
- (4) Eligibility to withdraw employee contributions at any time after separation from service with less than five years of participation.
- (5) Eligibility to withdraw the full account balance (all pay credits and interest) at any time after separation from service with five or more years of participation.
- (6) Eligibility to have account balance paid as a life time annuity beginning at age 60.

Proposed law mandates participation in the CBP for nonhazardous duty members of LASERS and post-secondary education members TRSL. Allows elementary and secondary employees in TRSL and all members of LSERS who are not mandated to join the CBP, to make an irrevocable election to join the CBP within 60 days of employment.

Proposed law creates individual CBP nominal accounts within the retirement system trust containing annual pay credits of 12%, which includes the employee's 8% contribution. Provides for an interest credit annually to each member's account equal to one percentage point less the system's actuarial rate of return, which is currently assumed to be 8%. Provides that interest is credited in a manner similar to interest on Deferred Retirement Option Plan (DROP) accounts after the Public Retirement Systems' Actuarial Committee (PRSAC) 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, as he would under present law. If a member with five years or more withdraws from the plan, he is entitled to receive 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. However, no further credits or interest will be added to his account.

Proposed law provides for reciprocal recognition of service under present law. Proposed law provides for transfer from the CBP of one system to the CBP of another.

Proposed law provides for survivor benefits for members of the CBP. Provides that if the decedent leaves no surviving children, the surviving spouse may receive either:

- (1) The benefit he or she would have been entitled to had the deceased been in the present law plan.
- (2) The lump sum of the deceased's CBP account balance.

Provides that if the decedent leaves surviving children, allows the spouse and surviving children to receive the present law survivor benefit. If the deceased member did not meet the present law survivor benefit eligibility requirements, proposed law 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:

- (1) The lump-sum of his CBP account balance.

- (2) The present law disability benefit if he otherwise meets the eligibility requirements for such benefit.

Proposed law provides that, if a member or survivor chooses to receive the present law survivor or disability benefit, the balance of the member's CBP account 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 system 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, as provided in present law.

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 (IBO), an initial lump sum benefit option (ILSB), or any similar retirement option designed to provide a reduced annuity in exchange for a lump-sum payment upon separation from 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 present law provisions (designated "Tier 1") shall apply to the CBP for any matter on which the CBP provisions are silent. In case of conflict between Tier 1 provisions and the CBP provisions, the CBP provisions control.

Proposed law provides that PRSAC may adopt a valuation for use in the 2013-14 fiscal year for a system affected by proposed law prepared on behalf of the division of administration by a qualified actuary after proposed law becomes effective.

Proposed law requires the division of administration to study the feasibility of enrolling CBP members in Social Security and report findings to PRSAC at its 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 CBP.

Proposed law 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)