

Regular Session, 2012

HOUSE BILL NO. 61

BY REPRESENTATIVE PEARSON

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),  
5 (C)(4)(a)(introductory paragraph), and (E), and to enact R.S. 11:62(4.1), (5.1), and  
6 (11.1), 102(C)(1)(m), 542(C)(4)(d)(iii) and (e)(iii), 883.1(C)(4)(d)(iii) and (e)(iii),  
7 1145.1(C)(4)(a)(iii) and (b)(iii), and Chapter 7 of Subtitle II of Title 11 of the  
8 Louisiana Revised Statutes of 1950, to be comprised of R.S. 11:1399.1 through  
9 1399.7, relative to state retirement systems; to create a cash balance plan in certain  
10 state systems; to provide for contributions, credits, eligibility, and benefits; to  
11 provide for an effective date; and to provide for related 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), (C)(4)(a)(introductory  
19 paragraph), and (E) are hereby amended and reenacted and R.S. 11:62(4.1), (5.1), and (11.1),  
20 102(C)(1)(m), 542(C)(4)(d)(iii) and (e)(iii), 883.1(C)(4)(d)(iii) and (e)(iii),  
21 1145.1(C)(4)(a)(iii) and (b)(iii), and Chapter 7 of Subtitle II of Title 11 of the Louisiana

1 Revised Statutes of 1950, comprised of R.S. 11:1399.1 through 1399.7, are hereby enacted  
2 to read as follows:

3 §62. Employee contribution rates established

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

6 \* \* \*

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

8 \* \* \*

9 (4.1) Louisiana School Employees' Retirement System members in the cash  
10 balance plan - 8%.

11 \* \* \*

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

13 \* \* \*

14 (5.1) Louisiana State Employees' Retirement System members in the cash  
15 balance plan - 8%.

16 \* \* \*

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

18 \* \* \*

19 (11.1) Teachers' Retirement System of Louisiana members in the cash  
20 balance plan - 8%.

21 \* \* \*

22 §102. Employer contributions; determination; state systems

23 \* \* \*

24 B.(1) Except as provided in Subsection C of this Section for the Louisiana  
25 State Employees' Retirement System and except as provided in R.S. 11:102.1 and  
26 102.2 and in Paragraph (5) of this Subsection, for each fiscal year, commencing with  
27 Fiscal Year 1989-1990, for each of the public retirement systems referenced in  
28 Subsection A of this Section, the legislature shall set the required employer  
29 contribution rate equal to the actuarially required employer contribution, as  
30 determined under Paragraph (3) of this Subsection, divided by the total projected

1 payroll of all active members including cash balance plan members of each  
2 particular system for the fiscal year. Each entity funding a portion of a member's  
3 salary shall also fund the employer's contribution on that portion of the member's  
4 salary at the employer contribution rate specified in this Subsection.

5 \* \* \*

6 (3) With respect to each state public retirement system, the actuarially  
7 required employer contribution for each fiscal year, commencing with Fiscal Year  
8 1989-1990, shall be that dollar amount equal to the sum of:

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

18 \* \* \*

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

22 \* \* \*

23 (v) Effective July 1, 2004, and beginning with Fiscal Year 1998-1999, the  
24 amortization period for the changes, gains, or losses of the Louisiana State  
25 Employees' Retirement System provided in Items (i) through (iv) of this  
26 Subparagraph shall be thirty years, or in accordance with standards promulgated by  
27 the Governmental Accounting Standards Board, from the year in which the change,  
28 gain, or loss occurred. The outstanding balances of amortization bases established  
29 pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year  
30 1998-1999, shall be amortized as a level dollar amount from July 1, 2004, through

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

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

21 (vii) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the  
22 amortization period for the changes, gains, or losses of the Teachers' Retirement  
23 System of Louisiana provided in Items (i) through (iv) of this Subparagraph and for  
24 any changes, gains, or losses attributable to the cash balance plan shall be thirty  
25 years, or in accordance with standards promulgated by the Governmental Accounting  
26 Standards Board, from the year in which the change, gain, or loss occurred. The  
27 outstanding balances of amortization bases established pursuant to Items (i) through  
28 (iv) of this Subparagraph before Fiscal Year 2000-2001, shall be amortized as a level  
29 dollar amount from July 1, 2004, through June 30, 2029. Beginning with Fiscal Year  
30 2003-2004, and for each fiscal year thereafter, the outstanding balances of

1 amortization bases established pursuant to Items (i) through (iv) of this Subparagraph  
2 shall be amortized as a level dollar amount.

3 \* \* \*

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

9 \* \* \*

10 (m) Members in the cash balance plan.

11 \* \* \*

12 §542. Experience account

13 A.

14 \* \* \*

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

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

21 \* \* \*

22 C.

23 \* \* \*

24 (4)

25 \* \* \*

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

30 \* \* \*



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.

15 \* \* \*

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

20 \* \* \*

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

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

24 \* \* \*

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

26 \* \* \*

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

29 \* \* \*

1            CHAPTER 7. CASH BALANCE PLAN FOR STATE RETIREMENT SYSTEMS

2            §1399.1. 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 30, 2013, including any  
 9            special plans, shall be known as "Tier 1".

10          §1399.2. Cash balance plan membership

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

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

17          (2) Employees covered by the Teachers' Retirement System of Louisiana  
 18          who are employed by institutions of postsecondary education or postsecondary  
 19          education management boards, who do not become members of the optional  
 20          retirement plan, and who are not employed for the sole purpose of providing  
 21          instruction or administrative services at the primary or secondary level, including at  
 22          any lab school and the Louisiana School for Math, Science, and the Arts.

23          B.(1) Except as provided in Paragraph (2) of this Subsection, any employee  
 24          whose first employment making him eligible for membership in one of the state  
 25          systems listed in R.S. 11:1399.1(A) occurred on or after July 1, 2013, may within  
 26          sixty days after his employment date make an irrevocable election to join the cash  
 27          balance plan of the retirement system.

28          (2) No member of the Hazardous Duty Services Plan shall be permitted to  
 29          elect to join the cash balance plan.

1           §1399.3. Cash balance plan account accumulation

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

4                           (2) Employer contributions to each retirement system shall be as provided  
5                   in 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 member's account each plan year at a rate equal to  
11                   the system's actuarial rate of return as certified by the system actuary in the system's  
12                   actuarial valuation, less one percent. Interest shall be credited after the Public  
13                   Retirement Systems' Actuarial Committee adopts the system's valuation containing  
14                   the actuarial rate of return on investments, and shall be based on the balance of the  
15                   account at the end of each month for the prior plan year.

16                           (2) No interest shall be credited after the member separates from service  
17                   covered by the cash balance plan of his retirement system, except that interest shall  
18                   be credited for those months during the plan year prior to his separation from service.

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

21                   D. Withdrawal from the cash balance plan. A cash balance plan member  
22                   who separates from employment covered by his retirement system may withdraw  
23                   from the cash balance plan.

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

28                           (2) Upon application for withdrawal, an employee who has been a cash  
29                   balance plan member for five years or longer may receive a lump-sum payment of  
30                   his account balance or the distribution of his total account balance in the form of a

1 trustee-to-trustee, single-sum transfer between qualified plans or as a payment made  
2 directly to a conduit individual retirement account. The employee may opt to leave  
3 his account balance with the system and draw an annuity pursuant to R.S. 11:1399.4  
4 when he attains age sixty.

5 (3)(a) A cash balance plan member shall be eligible to utilize the years of his  
6 membership in the cash balance plan for purposes of reciprocal recognition of  
7 credited service pursuant to R.S. 11:142.

8 (b) A cash balance plan member who elects to withdraw from the cash  
9 balance plan after becoming a member of a cash balance plan in another Louisiana  
10 public retirement system may execute the withdrawal provided for in this Subsection  
11 to transfer the amount the member is entitled to receive pursuant to Paragraphs (1)  
12 or (2) of this Subsection to a cash balance plan in another retirement system.

13 (4) If a cash balance plan member dies without withdrawing from the cash  
14 balance plan pursuant to this Subsection or annuitizing his benefit pursuant to R.S.  
15 11:1399.4, the following shall apply:

16 (a) The applicable Tier 1 plan shall be the plan in which the member would  
17 have been enrolled in the absence of the cash balance plan. For purposes of this  
18 Paragraph, the member's service credit, accrual rate, eligibility, and benefit  
19 calculation shall be determined as if the member's cash balance service had been  
20 earned as a member of the applicable Tier 1 plan.

21 (b) If the cash balance plan member is survived by a spouse only and the  
22 cash balance plan member met the eligibility requirements for survivors' benefits in  
23 the applicable Tier 1 plan, the spouse may choose one of the following options:

24 (i) To receive the account balance in the cash balance plan as a lump-sum  
25 payment; a trustee-to-trustee, single-sum transfer between qualified plans; or a  
26 payment made directly to a conduit individual retirement account.

27 (ii) To receive the applicable Tier 1 survivors' benefit.

28 (c) If the cash balance plan member is survived by a minor or by a  
29 handicapped or mentally disabled child of any age and the cash balance plan member  
30 met the eligibility requirements for survivors' benefits in the applicable Tier 1 plan,

1 all survivors otherwise qualifying under the Tier 1 plan shall receive the Tier 1  
 2 survivors' benefits but shall not receive the cash balance account balance.

3 (d) If the cash balance plan member has not met the eligibility requirements  
 4 for survivors' benefits in the applicable Tier 1 plan, the system shall give his  
 5 designated beneficiary or his estate the option to receive his account balance as a  
 6 lump-sum payment; a trustee-to-trustee, single-sum transfer between qualified plans;  
 7 or a payment made directly to a conduit individual retirement account.

8 (e) Subject to the provisions of R.S. 11:1399.7, if a survivor is eligible to and  
 9 elects to receive a Tier 1 survivors' benefit, the account balance in the cash balance  
 10 plan shall be retained by the retirement system.

11 (5) If a cash balance plan member becomes disabled before withdrawing  
 12 from the cash balance plan pursuant to this Subsection or annuitizing his benefit  
 13 pursuant to R.S. 11:1399.4, the following shall apply:

14 (a) The applicable Tier 1 plan is the plan in which the member would have  
 15 been enrolled in the absence of the cash balance plan. For purposes of this  
 16 Paragraph, the member's service credit, accrual rate, eligibility, and benefit  
 17 calculation shall be determined as if the member's cash balance service had been  
 18 earned as a member of the applicable Tier 1 plan.

19 (b) The member may choose one of the following options:

20 (i) To receive his cash balance account balance as a lump-sum payment; a  
 21 trustee-to-trustee, single-sum transfer between qualified plans; or a payment made  
 22 directly to a conduit individual retirement account.

23 (ii) To receive the applicable Tier 1 disability benefit if the member  
 24 otherwise meets the eligibility requirements for disability benefits in Tier 1.

25 (c) Subject to the provisions of R.S. 11:1399.7, if a cash balance plan member  
 26 is eligible to and elects to receive a Tier 1 disability benefit, the account balance in  
 27 the cash balance plan shall be retained by the retirement system.

28 §1399.4. Retirement eligibility; benefit calculation

29 A. Eligibility for retirement. A cash balance plan member with five years  
 30 of membership in the cash balance plan is eligible to draw an annuity beginning at

1           age sixty. The annuity payment amount shall be calculated as provided in  
2           Subsection B of this Section.

3           B. Annuitization of retirement benefit. (1)(a) Upon application, any  
4           member meeting the qualifications in Subsection A of this Section may elect to  
5           receive an annuity in a retirement allowance payable throughout his life, or he may  
6           elect at that time to receive the actuarial equivalent of his retirement allowance in a  
7           reduced retirement allowance payable throughout life, pursuant to any retirement  
8           option provided for Tier 1 members of his system. The system shall annuitize and  
9           pay any such allowance chosen by the member.

10           (b) The system shall annuitize the retirement benefit using an annuity rate  
11           based upon the actuarial assumptions in use by the system as of the date of  
12           retirement. The system actuary may modify the assumptions to reflect any changes  
13           quantified in an experience study and incorporated into a valuation adopted by the  
14           Public Retirement Systems' Actuarial Committee, demonstrating a statistically  
15           significant difference between the mortality experience of cash balance participants  
16           in the system electing to receive benefits in an annuity form and that of system  
17           annuitants generally.

18           (2) No member of the cash balance plan shall be eligible to participate in any  
19           deferred retirement option plan or program or any similar retirement option that  
20           requires continued employment for participation, nor shall such a member be eligible  
21           to participate in any back-deferred retirement option plan or program. However, a  
22           cash balance plan member may participate in any initial benefit option, initial lump-  
23           sum benefit option, or any similar retirement option designed to provide a reduced  
24           annuity in exchange for a lump-sum payment which is selected upon separation from  
25           service.

26           §1399.5. Reemployment

27           If, after withdrawing from the cash balance plan upon separation from service  
28           or after annuitizing his benefit, a cash balance plan member becomes reemployed in  
29           a position covered by the cash balance plan, the person's accumulation in the cash  
30           balance plan pursuant to R.S. 11:1399.3 shall begin again. However, the

1            reemployment shall not affect the receipt of the lump sum or annuitized payments  
 2            from the first cash balance account.

3            §1399.6. Application

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

8            § 1399.7. Guaranteed return of employee contributions

9                    In no case shall a retirement system pay total benefits of an amount less than  
 10            the total of the employee's accumulated contributions. Where the total benefits  
 11            received prior to an employee's death is less than the employee's total contributions,  
 12            the difference shall be paid to the estate of the decedent.

13            Section 2. The Public Retirement Systems' Actuarial Committee may adopt an  
 14            actuarial valuation after implementation of the Act originating as House Bill No. 61 of the  
 15            2012 Regular Legislative Session, to be utilized by a system to which the provisions of this  
 16            Act apply in the fiscal year which begins July 1, 2013, calculated in accordance with R.S.  
 17            11:102, which has been prepared on behalf of the division of administration by a member  
 18            of the American Academy of Actuaries who meets the qualification requirements of the  
 19            academy to issue a particular statement of actuarial opinion.

20            Section 3. Because the legislature finds and declares that questions of law may be  
 21            raised concerning provisions of this Act, the public welfare requires that such questions of  
 22            law be expeditiously resolved prior to such time as its provisions take effect to avoid  
 23            disruption of the orderly implementation of its provisions. Therefore, the legislature finds  
 24            that an expedited hearing schedule for actions filed relative to this Act should be  
 25            immediately made available in order to avoid confusion by the public. Venue for any action  
 26            shall be in the Nineteenth Judicial District Court for the Parish of East Baton Rouge. In the  
 27            interest of further expediting this procedure, courts are urged to minimize all unnecessary  
 28            delays and to resolve any questions of law no later than thirty days prior to the pre-filing  
 29            deadline for retirement legislation for the 2013 regular legislative session. The courts may  
 30            suspend all applicable rules of court for this limited purpose.

1           Section 4. The division of administration shall study the feasibility of enrolling cash  
2 balance plan members in Social Security and shall report its findings to the Public  
3 Retirement Systems Actuarial Committee at the committee's first meeting in 2013.

4           Section 5. This Act shall become effective on June 30, 2012; if vetoed by the  
5 governor and subsequently approved by the legislature, this Act shall become effective on  
6 June 30, 2012, or on the day following such approval by the legislature, whichever is later.

7           Section 6. The division of administration shall conduct a cost benefit analysis of  
8 providing an increased pay scale for employees hired on or after July 1, 2013, to provide  
9 employees with the opportunity to develop a retirement plan or other investment  
10 opportunities in addition to the plan established by this Act.

\_\_\_\_\_  
SPEAKER OF THE HOUSE OF REPRESENTATIVES

\_\_\_\_\_  
PRESIDENT OF THE SENATE

\_\_\_\_\_  
GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: \_\_\_\_\_