

New law establishes a cash balance retirement plan for certain new members of the Louisiana State Employees' Retirement System (LASERS), the Teachers' Retirement System of Louisiana (TRSL), and the Louisiana School Employees' Retirement System (LSERS) who are hired after July 1, 2013.

Existing law with regard to LASERS, TRSL, and LSERS provides for benefits for members. Existing law provides certain 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)

New law provides for a cash balance retirement plan (CBP) for certain members of 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.

Under new law, 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 is not debited for investment losses.
- (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.

New law requires participation in the CBP for nonhazardous duty members of LASERS and post-secondary education members TRSL. Authorizes elementary and secondary employees in TRSL and all members of LSERS who are not required to join the CBP to make an irrevocable election to join the CBP within 60 days of employment.

New 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 achieved actuarial rate of return.

New 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 existing law in the regular defined benefit plan (hereafter referred to as "Tier 1"). 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 new law when the member attains age 60. However, no further credits or interest will be added to his account.

New law provides for reciprocal recognition of service under existing law. New law further provides for transfer from the CBP of one system to the CBP of another.

New 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 would have been entitled to had the deceased been in the Tier 1 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 existing law survivor benefit available to members of the Tier 1 plan. If the deceased member did not meet the existing law survivor benefit eligibility requirements, new law allows the designated beneficiary or the deceased's estate to receive the CBP account balance.

New 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 existing law disability benefit available to members of the Tier 1 plan, if the CBP member otherwise meets the eligibility requirements for such benefit.

New 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 existing 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 existing law.

New law prohibits a CBP member from participating in the Deferred Retirement Option Program (DROP) or any similar program.

New 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.

New 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.

New law provides that Tier 1 provisions 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.

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

New 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.

New law provides for an expedited hearing in the courts for any legal issues raised in relation to the new law. Establishes venue in the 19<sup>th</sup> 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)