

Regular Session, 2014

HOUSE BILL NO. 84

BY REPRESENTATIVE KATRINA JACKSON

RETIREMENT/COLAS: Provides a supplemental benefit to qualifying retirees and beneficiaries of the La. State Employees' Retirement System

1 AN ACT

2 To amend and reenact R.S. 11:542.1, relative to increases of benefits received from the
3 Louisiana State Employees' Retirement System; to provide for a supplemental
4 permanent benefit increase; to provide for funding; to provide for an effective date;
5 and to provide for related matters.

6 Notice of intention to introduce this Act has been published
7 as provided by Article X, Section 29(C) of the Constitution
8 of Louisiana.

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 11:542.1 is hereby amended and reenacted to read as follows:

11 §542.1. Supplemental cost-of-living ~~increases for 2007~~increases; payment from
12 experience account

13 A. The legislature hereby acknowledges that providing ~~generous~~ retirement
14 benefits for our state employees is an important element of the complete
15 compensation package the state offers such employees for their public service. In
16 order to maintain the purchasing power of a retiree's benefit, periodic increases in the
17 benefit amount are necessary to offset the increases in the cost of ordinary living
18 expenses. When the timing of such increases is infrequent or erratic, it becomes
19 difficult for such increases to protect the retiree from falling behind financially.

1 B. The legislature recognizes that while providing periodic ~~cost-of-living~~
2 benefit increases is necessary to preserve the standard of living of our retired state
3 employees, such increases have a price which is ultimately paid by the taxpayers
4 through allocation of employer contributions to the system. Increases should
5 therefore be limited to a reasonable level to prevent the expense of such increases
6 from causing an undue burden on the state fisc and, by extension, on the taxpayers.
7 Additionally, such increases are not meant to function as pay raises but merely to
8 maintain the standard of living of the recipients, keeping pace with the Consumer
9 Price Index for All Urban Consumers, U.S. city average for all items (CPI-U).

10 C.(1) The legislature has provided for an employee experience account, a
11 mechanism for determining each year whether a ~~cost-of-living~~ benefit increase may
12 be granted and the amount of any such increase that is permitted. The provisions of
13 R.S. 11:542 prohibit any ~~cost-of-living~~ increase paid from experience account funds
14 from being in excess of three percent, helping to limit the expense of granting each
15 such increase to a reasonable level. Additionally, if the growth in the CPI-U for the
16 preceding calendar year is less than three percent, then the statutorily permissible
17 increase from the experience account is also of this lesser percent.

18 (2)(a) For an increase payable on July 1, 2007, the application of the
19 experience account mechanism results in a determination that, if the system properly
20 complies with all other requirements of the experience account statute and subject
21 to the approval of the legislature, the board of trustees of the Louisiana State
22 Employees' Retirement System may grant an increase to eligible retirees, survivors,
23 and beneficiaries equal to the CPI-U for the 2006 calendar year of two and one-half
24 percent.

25 (b) For an increase payable on July 1, 2014, the application of the experience
26 account mechanism results in a determination that, subject to the approval of the
27 legislature, those eligible to receive a benefit increase pursuant to R.S.11:542 shall
28 receive an increase equal to the CPI-U for the 2013 calendar year of one and one-half
29 of one percent.

1 D.(1)(a) Considering the factual and policy statements in Subsections A, B,
2 and C of this Section, and taking into account that retired state employees did not
3 receive a cost-of-living increase for three consecutive years due to market conditions
4 and the deficit in the experience account, the legislature finds that, for the July 1,
5 2007, cost-of-living increase payable pursuant to the experience account statute,
6 permitting the board to grant the maximum three-percent increase allowable pursuant
7 to the provisions of the experience account statute without regard to the CPI-U helps
8 preserve the purchasing power of retired state employees, their survivors, and
9 beneficiaries without creating an undue financial burden on the state or the
10 taxpayers.

11 (b) Considering the factual and policy statements in Subsections A, B, and
12 C of this Section, and taking into account that retired state employees did not receive
13 a benefit increase for five consecutive years due to market conditions, the legislature
14 finds that, for the July 1, 2014, permanent benefit increase payable pursuant to the
15 experience account statute, granting a supplemental increase of an amount to be
16 determined without regard to the CPI-U helps preserve the purchasing power of
17 those eligible for such increases without creating an undue financial burden on the
18 state or the taxpayers.

19 (2)(a) Notwithstanding the provisions of R.S. 11:542(B)(2) and (C)(1) and
20 (2) limiting any increase granted from experience account funds and payable July 1,
21 2007, to two and one-half percent, the board of trustees of the Louisiana State
22 Employees' Retirement System is authorized to grant from the funds in the
23 experience account a supplemental cost-of-living increase of one-half of one percent,
24 which may be paid beginning July 1, 2007, provided all other requirements of R.S.
25 11:542 are met and the total level of the increase granted does not exceed three
26 percent.

27 (b) Notwithstanding the provisions of R.S. 11:542(B)(2) and (C)(1) and (2)
28 limiting any increase granted from experience account funds and payable July 1,
29 2014, to one and one-half of one percent, the legislature grants from the funds in the

1 experience account a supplemental permanent benefit increase of an amount to be
2 determined, to be paid beginning July 1, 2014, provided all other requirements of
3 R.S. 11:542 are met and the total level of the increase granted does not exceed the
4 sum of the CPI-U and the amount to be determined. Notwithstanding any provision
5 of this Subparagraph to the contrary, no further action on the part of the legislature
6 shall be required in order to grant the supplemental benefit authorized by this
7 Subparagraph.

8 E.(1) Except for the authority to grant a supplemental one-half of one percent
9 increase payable July 1, 2007, nothing in this Section shall be construed to grant the
10 board of trustees of the Louisiana State Employees' Retirement System any
11 additional authority to grant or to recommend to the legislature that it be permitted
12 to grant a cost-of-living increase greater than the increase as calculated pursuant to
13 the provisions of R.S. 11:542 as they exist on June 30, 2007.

14 (2) Nothing in this Section shall be construed to grant the board of trustees
15 of the Louisiana State Employees' Retirement System any additional authority to
16 recommend that the legislature grant a permanent benefit increase greater than the
17 increase as calculated pursuant to the provisions of R.S. 11:542.

18 Section 2.(A) The actuarial cost of the benefit provisions of this Act shall be funded
19 from the experience account of the Louisiana State Employees' Retirement System in
20 compliance with Article X, Section 29(F) of the Constitution of Louisiana.

21 (B) The additional actuarial cost, if any, of the benefit provisions of this Act not
22 funded from the experience account shall be funded with increased employer contributions
23 in compliance with Article X, Section 29(F) of the Constitution of Louisiana.

24 Section 3. This Act shall become effective on June 30, 2014; if vetoed by the
25 governor and subsequently approved by the legislature, this Act shall become effective on
26 June 30, 2014, or on the day following such approval by the legislature, whichever is later.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Katrina Jackson

HB No. 84

Abstract: Authorizes a supplemental benefit increase for certain retirees and beneficiaries of the La. State Employees' Retirement System (LASERS).

Present law (R.S. 11:542), relative to LASERS, provides for the accumulation of certain system funds in an "experience account". Provides for utilization of these funds for permanent benefit increases (PBIs), sometimes called cost-of-living adjustments or COLAs, for retirees and beneficiaries of the system. Provides for determination of eligibility for and the amount of any increase paid with these funds.

Proposed law provides for a supplemental benefit increase for those eligible for a PBI pursuant to present law providing for the experience account. Provides that this increase shall be an additional amount to be determined.

Present law requires a concurrent resolution adopted by the legislature as part of the process of granting a PBI pursuant to present law. Proposed law provides that no further action is required by the legislature in order for the system to pay the PBI granted by proposed law.

In compliance with Art. X, §29(F) of the state constitution, proposed law requires that the actuarial cost of proposed law be funded with money from the system's experience account. Further provides that any additional actuarial cost be funded with additional employer contributions.

Effective June 30, 2014.

(Amends R.S. 11:542.1)