

2022 Regular Session

HOUSE BILL NO. 21

BY REPRESENTATIVE BACALA

RETIREMENT/MUNICIPAL POL: Provides for a funding deposit account for Municipal Police Employees' Retirement System and authorizes the board of trustees of the system to modify required employer contributions

1 AN ACT

2 To enact R.S. 11:2225.5 and to repeal R.S. 11:2225(A)(7), relative to the Municipal Police  
3 Employees' Retirement System; to establish a funding deposit account; to provide  
4 for source of funding therefor; to authorize the board of trustees to adjust employer  
5 contribution rates; to provide for cost-of-living adjustments; to provide for funding,  
6 eligibility, and payment of cost-of-living adjustments; to provide for payment of  
7 system liabilities; and to provide for related matters.

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

11 Be it enacted by the Legislature of Louisiana:

12 Section 1. R.S. 11:2225.5 is hereby enacted to read as follows:

13 §2225.5. Funding deposit account

14 A.(1) There is hereby established a funding deposit account, hereafter in this  
15 Section referred to as the "account". The account shall be credited and charged  
16 solely as provided in this Section.

17 (2) The balance in the account shall be set equal to zero as of July 1, 2022.

1           (3) The funds in the account shall earn interest annually at the board  
2           approved valuation interest rate, and the interest shall be credited to the account once  
3           a year.

4           (B)(1) Notwithstanding the provisions of R.S. 11:103 and 104, for fiscal  
5           years beginning on or after July 1, 2023, the board of trustees may require a net  
6           direct contribution rate of up to the following applicable limit:

7           (a) For a year in which the employer contribution determined under R.S.  
8           11:103 is equal to or greater than the rate applicable to the previous year, the rate  
9           determined under R.S. 11:103 plus eighty-five hundredths of one percentage point.

10          (b) For a year in which the employer contribution determined under R.S.  
11          11:103 is lower than the rate applicable to the previous year, the rate determined  
12          under R.S. 11:103 plus eighty-five hundredths of one percentage point plus one-half  
13          of the difference between the rates applicable to the two years.

14          (2) For any fiscal year in which the board of trustees sets the direct employer  
15          contribution rate higher than the rate determined under R.S. 11:103, excess  
16          contributions resulting from the higher rate shall be used as provided in Paragraph  
17          (C)(1) of this Section or transferred to the account as provided in Paragraph (C)(2)  
18          of this Section.

19          C.(1) Except as provided in Paragraph (2) of this Subsection, any excess  
20          contributions resulting from the board's exercise of its authority pursuant to  
21          Paragraph (B)(1) of this Section shall be applied, until exhausted, exclusively to  
22          reduce the outstanding balance of the oldest positive amortization base; however, the  
23          future payments for such amortization base shall continue to be made according to  
24          the original amortization schedule established in compliance with the requirements  
25          of Article X, Section 29(E)(3) of the Constitution of Louisiana until the outstanding  
26          balance is fully liquidated.

27          (2) The board of trustees may dedicate a specific amount of excess  
28          contributions, up to the amount generated by setting the rate equal to eighty-five  
29          hundredths of one percentage point more than the rate determined under R.S. 11:103

1 plus associated interest, to be used solely to pay cost-of-living adjustments. Such  
2 funds shall be credited to the account.

3 D. Beginning with the June 30, 2024, valuation, the board of trustees may,  
4 in any fiscal year, direct that the account be charged to provide a cost-of-living  
5 adjustment as provided in Subsection F of this Section.

6 E. The amount in the account shall not be considered a system asset when  
7 calculating employer contributions.

8 F.(1) Notwithstanding the provisions of R.S. 11:241 and 246, cost-of-living  
9 adjustments may be provided only from the funding deposit account and only when  
10 sufficient funds are available as determined by the actuary. The cost-of-living  
11 adjustment shall only be payable as determined by the board of trustees, and the  
12 board shall determine the following:

13 (a) Whether the cost-of-living adjustment is to be a one-time payment or a  
14 permanent benefit increase.

15 (b) Whether the cost-of-living adjustment is based upon a retiree or  
16 survivor's original or current benefit.

17 (c) Whether a minimum age is required to receive a cost-of-living  
18 adjustment.

19 (d) Whether a retiree or survivor has met a minimum period since benefit  
20 commencement in order to receive a cost-of-living adjustment.

21 (2) The amount of the cost-of-living adjustment shall not exceed three  
22 percent of the benefit nor be payable to any retiree or survivor until at least one year  
23 has elapsed since benefit commencement.

24 (3) Any adjustment to benefits for cost-of-living changes as provided in this  
25 Subsection shall be made by formal action of the board of trustees and considered  
26 amendments to the provisions of the retirement system.

27 Section 2. R.S. 11:2225(A)(7) is hereby repealed in its entirety.

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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)]

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HB 21 Reengrossed

2022 Regular Session

Bacala

**Abstract:** Establishes a funding deposit account for the Municipal Police Employees' Retirement System (MPERS) for the purpose of granting and funding cost-of-living adjustments (COLA).

Proposed law establishes a funding deposit account for MPERS.

Proposed law authorizes the board of trustees to require an employer contribution rate up to the following limits:

- (1) When the contribution rate is equal or greater than the previous year's rate, the board can set the rate .85% greater than the fiscal year's rate.
- (2) In a fiscal year when the contribution rate is lower than the previous year, the board can set the rate at the otherwise required rate plus .85% plus half the difference between the rates for the two years.

Proposed law requires that excess contributions be applied to reduce the outstanding balance of the oldest amortization base or to COLAs.

Proposed law authorizes the board to dedicate a specific amount of the excess contributions, .85% greater than the contribution rate, to fund COLAs.

Proposed law provides funds that a COLA shall be paid only with funds from the funding deposit account and only when funds are sufficient.

Proposed law provides that the board of trustees shall determine the following when granting a COLA:

- (1) Whether the COLA is permanent or nonrecurring.
- (2) Whether the COLA is based on the retiree or survivor's current or original benefit.
- (3) Whether a minimum age is required.
- (4) Whether a retiree or survivor meets minimum period since benefit commencement.

Proposed law provides that COLA payments may not exceed 3% of benefit or be payable to the retiree or survivor until one year since benefit commencement.

Proposed law requires that an adjustment to benefits due to a COLA be made by formal action by the board of trustees.

(Adds R.S. 11:2225.5; Repeals R.S. 11:2225(A)(7))

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Retirement to the original bill:

1. Repeal conflicting provisions of present law regarding use of investment earnings to pay for COLAs.