

GREEN SHEET REDIGEST

HB 32

2016 Regular Session

Jones

(KEYWORD, SUMMARY, AND DIGEST as amended by Senate committee amendments)

RETIREMENT/COLAS: Authorizes payment of a benefit increase, funded by state retirement system experience accounts, to certain retirees and beneficiaries of such systems

DIGEST

Present law, relative to the four state retirement systems—La. State Employees' Retirement System (LASERS), Teachers' Retirement System of La. (TRSL), La. School Employees' Retirement System (LSERS), and State Police Retirement System (STPOL)—establishes an "experience account" within each system for the accumulation of certain system funds. Provides for utilization of these funds for benefit increases, commonly called "cost-of-living adjustments" (COLAs), for retirees, survivors, and beneficiaries of the system. Provides that the following classes of retirees and beneficiaries are eligible for a COLA paid pursuant to present law:

- (1) Any retiree who has received a benefit for at least one year and who has attained at least age 60.
- (2) Any nonretiree beneficiary who has received a benefit for at least one year (aggregated with any time the deceased member may have received a benefit) if the deceased member would have attained age 60.
- (3) Any disability retiree or any beneficiary who receives benefits based on the death of a disability retiree if benefits have been received for at least one year.

Proposed law retains present law.

Present law authorizes payment of a COLA every other year when a system is below 80% funded. The last COLA paid from the experience accounts was in July of 2014.

Present law further provides that the amount of a COLA paid pursuant to present law is the lesser of:

- (1) An amount determined by the system's funded ratio.
- (2) The CPI-U for the preceding year.

Proposed law provides that notwithstanding present law limitations, a COLA is authorized for the retirees and beneficiaries of each of the four state retirement systems. Requires use of the funds from the system experience accounts to fund such a payment.

Proposed law provides that retirees and beneficiaries who would qualify for a COLA under present law qualify for receipt of the COLA authorized by proposed law. Proposed law further provides and clarifies that a disability retiree or a person who receives benefits from the system based on the death of a disability retiree is eligible if benefits have been paid to the retiree or the beneficiary or both combined for at least one year.

Proposed law provides that the amount of the COLA shall be an amount supported by the funds in the system's experience account up to the following maximum amounts:

- (1) For LASERS, 1.5% of the benefit amount.
- (2) For TRSL, 1.5% of the benefit amount.

(3) For LSERS, 2% of the benefit amount.

(4) For STPOL, 2% of the benefit amount.

Present law for STPOL further authorizes payment of a 2% supplemental COLA to retirees and beneficiaries who are age 65 or older and who retired on or before June 30, 2001. Proposed law authorizes payment of such a supplemental COLA in an amount, up to 2%, that is supported by the funds in the experience account after payment of the general COLA authorized pursuant to proposed law.

Proposed law provides that the benefit increases shall only be paid on the first \$60,000 of a retiree's or beneficiary's benefit.

Proposed law provides that any cost of the Act not funded by payments made from the system experience account shall be funded with additional employer contributions in compliance with Art. X, §29(F) of the Constitution of La.

Effective June 30, 2016.

(Adds R.S. 11:542.2, 883.4, 1145.3, and 1331.2)

Summary of Amendments Adopted by House

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

1. Remove provisions outlining the order of debits and credits of the system experience accounts.
2. Clarify relative to eligibility of disability retirees for the COLA.

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Retirement to the reengrossed bill

1. Add provision limiting the board of trustees of the State Police Retirement System authority to grant a supplemental cost-of-living adjustment to all retirees and beneficiaries who are at least 65 and who retired on or before June 30, 2001.