

Regular Session, 2013

SENATE BILL NO. 10

BY SENATOR GUILLORY

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

RETIREMENT SYSTEMS. Provides funding criteria a statewide retirement system must meet before granting a benefit increase. (6/30/13)

1 AN ACT

2 To amend and reenact R.S. 11:2178(M)(1)(a)(ii) and to enact R.S. 11:242(F), 243, and  
3 2178(M)(1)(d), relative to statewide retirement systems; to provide for cost-of-living  
4 adjustments and permanent benefit increases; to provide for an effective date; and  
5 to provide for related matters.

6 Notice of intention to introduce this Act has been published.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 11:2178(M)(1)(a)(ii) is hereby amended and reenacted and R.S.  
9 11:242(F), 243, and 2178(M)(1)(d) are hereby enacted to read as follows:

10 §242. Cost-of-living adjustments; permanent benefit increases; restrictions

11 \* \* \*

12 **F. The power of the governing authority of a system listed in Subsection**  
13 **B of this Section to grant benefit increases pursuant to the provisions of this**  
14 **Section shall cease when the governing authority makes an irrevocable option**  
15 **pursuant to R.S. 11:243(B)(1) to have future benefit increases for retirees,**  
16 **survivors, and beneficiaries governed by R.S. 11:243.**

17 \* \* \*

1            §243. Cost-of-living adjustments; permanent benefit increases; restrictions;  
2    funding criteria

3            A. The provisions of this Section shall apply to the following retirement  
4            systems:

5                            (1) The Assessors' Retirement Fund.

6                            (2) The Clerks' of Court Retirement and Relief Fund.

7                            (3) The District Attorneys' Retirement System.

8                            (4) The Municipal Employees' Retirement System of Louisiana.

9                            (5) The Parochial Employees' Retirement System of Louisiana.

10                          (6) The Registrars of Voters Employees' Retirement System.

11                          (7) The Sheriffs' Pension and Relief Fund.

12                          (8) The Municipal Police Employees' Retirement System.

13                          (9) The Firefighters' Retirement System.

14                          B.(1) On or before December 31, 2013, the governing authority of each  
15                          of the retirement systems listed in Subsection A shall in a public meeting make  
16                          an irrevocable election to have future benefit increases for retirees, survivors,  
17                          and beneficiaries governed by R.S. 11:242 or this Section. In the event that the  
18                          governing authority takes no action by the specified date, the provisions of this  
19                          Section shall not apply and the benefit increases of that system shall continue  
20                          to be subject to the provisions of R.S. 11:242.

21                          (2) After the governing authority has made its election, the board of  
22                          trustees shall inform the speaker of the House of Representatives, the president  
23                          of the Senate, and the Louisiana State Law Institute of its election in writing.

24                          C. The provisions of this Section do not repeal provisions relative to  
25                          cost-of-living adjustments or permanent benefit increases contained within the  
26                          individual laws governing the systems listed in Subsection A of this Section.  
27                          However, the provisions of this Section are to be controlling in case of any  
28                          conflict with the individual laws.

29                          D. The power of the governing authority of a system covered by this

1        Section to provide a cost-of-living adjustment or permanent benefit increase  
2        shall be effective in a particular calendar year only if the legislature fails to  
3        enact legislation granting a cost-of-living adjustment, unless in the legislation  
4        granting the cost-of-living adjustment, the legislature specifically authorized the  
5        governing authority to provide an additional cost-of-living adjustment to  
6        retirees, beneficiaries, or survivors of retired public employees of that system.

7            E. No governing authority to which this Section applies shall provide a  
8            cost-of-living adjustment or permanent benefit increase to any retiree,  
9            beneficiary, or survivor during any calendar year prior to the final  
10          adjournment of the regular session of the legislature and shall not do so during  
11          the same year within which the legislature has granted an increase, unless in the  
12          legislation granting the increase, the legislature specifically authorizes the  
13          governing body to provide an additional increase to retirees, beneficiaries, and  
14          survivors of that system. The restrictions contained in this Subsection shall be  
15          inapplicable with respect to any system for which the legislature has failed to  
16          grant an increase.

17            F. Disability retirees and surviving children or surviving spouses shall  
18          not be subject to the restrictions set forth in this Section.

19            G.(1) Notwithstanding any other provision of law to the contrary, no  
20          system covered by this Section shall provide a cost-of-living adjustment or  
21          permanent benefit increase during any fiscal year until the lapse of at least  
22          one-half of the fiscal year, and unless either the funds for such increase are  
23          provided as authorized from a credit balance in that system's funding deposit  
24          account or the actuary for the system and the legislative auditor certify that the  
25          funded ratio of the system meets the requirements of one or more of the  
26          Subparagraphs in Paragraph (3) of this Subsection. If the legislative auditor  
27          disagrees with the determination of the system's actuary, the matter shall be  
28          determined by majority vote of the Public Retirement Systems' Actuarial  
29          Committee.

1                   **(2) For purposes of this Subsection, a system's "funded ratio" as of any**  
2                   **fiscal year end shall be the ratio of the actuarial value of assets to the actuarial**  
3                   **accrued liability under the funding method prescribed by the office of the**  
4                   **legislative auditor. The actuarial value of assets and actuarial accrued liability**  
5                   **for a system shall be those amounts reported to the office of the legislative**  
6                   **auditor in the Annual Report for Public Retirement Systems.**

7                   **(3) The governing authority of a system covered by this Subsection may**  
8                   **grant a benefit increase to retirees, survivors, and beneficiaries if any of the**  
9                   **following apply:**

10                   **(a) The system has a funded ratio of ninety percent or more and has not**  
11                   **granted a benefit increase to retirees, survivors, and beneficiaries in the most**  
12                   **recent fiscal year.**

13                   **(b) The system has a funded ratio of eighty percent or more and has not**  
14                   **granted a benefit increase to retirees, survivors, and beneficiaries in either of**  
15                   **the two most recent fiscal years.**

16                   **(c) The system has a funded ratio of seventy percent or more and has not**  
17                   **granted a benefit increase to retirees, survivors, and beneficiaries in any of the**  
18                   **three most recent fiscal years.**

19                                   \*       \*       \*

20                   §2178. Disability benefits; retirement benefits; death benefits

21                                   \*       \*       \*

22                   M.(1)(a)(i)           \*       \*       \*

23                   (ii) The cost-of-living adjustment shall be payable in a monthly amount not  
24                   to exceed ~~three~~ **two and one-half** percent of the normal monthly benefit payable to  
25                   the retiree, disability recipient, or survivor on the date the increase is granted, as  
26                   provided in Subsection K of this Section; ~~but shall not be less than twenty dollars per~~  
27                   ~~month.~~ **The dollar amount of such adjustment for any recipient shall not exceed**  
28                   **five percent of the average monthly benefit in payment to service retirees as of**  
29                   **the end of the preceding fiscal year.**

\* \* \*

**(d) The board, in any one fiscal year, may provide a cost-of-living adjustment pursuant to either Subparagraph (a) or (b) of this Paragraph; however, it shall not grant cost-of-living adjustments pursuant to both of these Subparagraphs within the same fiscal year.**

\* \* \*

Section 2. The provisions of this Act shall become effective on June 30, 2013; if vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on June 30, 2013, or on the day following such approval by the legislature, whichever is later.

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The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Margaret M. Corley

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#### DIGEST

Guillory (SB 10)

Present law, applicable to statewide retirement systems, provides the authority to grant retirees of a system a cost-of-living adjustment (COLA) based on the funded status of that system in 1986, and its progress towards 100% funding by 2016.

Present law provides that the statewide retirement systems are:

- (1) Assessors' Retirement Fund
- (2) Clerks' of Court Retirement and Relief Fund
- (3) District Attorneys' Retirement System
- (4) Firefighters' Retirement System
- (5) Municipal Employees' Retirement System of Louisiana
- (6) Municipal Police Employees' Retirement System of Louisiana
- (7) Parochial Employees' Retirement System of Louisiana
- (8) Registrar of Voters Employees' Retirement System, and
- (9) Sheriffs' Pension and Relief Fund.

Proposed law retains present law; however, proposed law allows the board of a statewide retirement system to make an irrevocable decision by December 31, 2013, to be governed by the provisions of proposed law rather than present law.

Proposed law provides authority for the boards of those systems which opt into proposed law to grant a COLA according to the following criteria:

- (1) The system has a funded ratio of 90% or more and has not granted a benefit increase to retirees, survivors, and beneficiaries in the most recent fiscal year.
- (2) The system has a funded ratio of 80% or more and has not granted a benefit increase to retirees, survivors, and beneficiaries in either of the two most recent fiscal years.
- (3) The system has a funded ratio of 70% or more and has not granted a benefit increase to retirees, survivors, and beneficiaries in any of the three most recent fiscal years.

Present law provides the Sheriffs' Pension and Relief Fund the authority to grant a COLA not to exceed 3% of the monthly benefit. Proposed law allows the Fund to grant a COLA not to exceed 2½% of the monthly benefit. Proposed law also provides that the dollar amount of such adjustment for any recipient shall not exceed 5% of the average monthly benefit in payment to service retirees as of the end of the preceding fiscal year.

Effective June 30, 2013.

(Amends R.S. 11:2178(M)(1)(a)(ii); adds R.S. 11:242(F), 243, and 2178(M)(1)(d))