

Regular Session, 2014

HOUSE BILL NO. 33

BY REPRESENTATIVES JONES AND HAVARD

RETIREMENT/COLAS: Provides a permanent benefit increase paid from the experience account to certain retired members and beneficiaries of the La. School Employees' Retirement System

1 AN ACT

2 To provide a permanent benefit increase to certain retirees and beneficiaries of the Louisiana  
3 School Employees' Retirement System in conformity with the provisions of the  
4 system's experience account; to provide for eligibility for the increase; to provide for  
5 calculation of the increase; to provide for funding; to provide an effective date; and  
6 to provide for related matters.

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

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. Findings. (A) The legislature created the experience account within the  
12 Louisiana School Employees' Retirement System as a mechanism for funding, on an  
13 actuarial basis, permanent benefit increases for system retirees and beneficiaries. The  
14 experience account is credited with half of the system's investment gains over its actuarially  
15 assumed rate of return and with interest on funds in the account. The legislature has  
16 restricted the amount that can be in the account at any one time; the funds in the account may  
17 not exceed an amount sufficient to fund two permanent benefit increases to eligible retirees  
18 and beneficiaries. The legislature may authorize the system to use the funds to pay a  
19 permanent benefit increase to eligible retirees and beneficiaries.

20 (B) According to the June 30, 2013, valuation adopted by the system's board of  
21 trustees, the legislature finds that in Fiscal Year 2013, the system attained an actuarial rate

1 of return of twelve and four hundredths percent. This rate of return is above the system's  
2 target of seven and one quarter percent. According to the June 30, 2013, valuation adopted  
3 by the system's board of trustees, approximately thirty-one million six hundred thousand  
4 dollars in excess returns was deposited into the system's experience account. The legislative  
5 auditor's actuary and the system's actuary agree that this amount would be sufficient to  
6 increase eligible retiree and beneficiary benefits by two and nine tenths percent.

7 (C) In accordance with R.S. 11:1145.1(C)(1), the legislature finds that any increase  
8 granted pursuant to this Act shall be based only on ninety-four thousand three hundred  
9 thirteen dollars of a retiree's annual benefit.

10 (D) The legislature finds that the following retirees and beneficiaries are eligible for  
11 permanent benefit increases funded by the experience account:

12 (1) Any non-disability retiree who has attained the age of sixty and who has been  
13 retired for at least one year.

14 (2) Any disability retiree, regardless of age, who has been retired for at least one  
15 year and any beneficiary of such a retiree.

16 (3) Any beneficiary of a non-disability retiree if the beneficiary or the retiree, or both  
17 combined, have received benefits for at least one year and the non-disability retiree would  
18 have attained age sixty by the time of the increase.

19 (E) In accordance with R.S. 11:1145.1(C), the legislature finds that any increase  
20 granted by the provisions of this Act shall not exceed the lesser of:

21 (1) Three percent.

22 (2) A sum equal to the consumer price index, United States city average for all urban  
23 consumers (CPI-U), as prepared by the United States Department of Labor, Bureau of Labor  
24 Statistics, for the calendar year immediately preceding the permanent benefit increase.

25 (F) The legislature finds that the consumer price index, United States city average  
26 for all urban consumers (CPI-U), as prepared by the United States Department of Labor,  
27 Bureau of Labor Statistics, for the calendar year 2013 was one and one-half of one percent.

28 Section 2. Authorization. In accordance with laws providing for the system's  
29 experience account and the findings in this Act, the Legislature of Louisiana hereby grants  
30 a permanent benefit increase of one and one-half of one percent, effective July 1, 2014, to

1 all eligible retirees and beneficiaries of the Louisiana School Employees' Retirement System.

2 No further action on the part of the legislature shall be required to implement such increase.

3 Section 3. The cost of this Act, if any, shall be funded with monies from the

4 Louisiana School Employees' Retirement System experience account in compliance with

5 Article X, Section 29(F) of the Constitution of Louisiana.

6 Section 4. This Act shall become effective on June 30, 2014; if vetoed by the

7 governor and subsequently approved by the legislature, this Act shall become effective on

8 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)]

Jones

HB No. 33

**Abstract:** Provides a permanent benefit increase of 1.5%, funded by the La. School Employees' Retirement System (LSERS) experience account, to eligible retirees and beneficiaries of LSERS.

Present law provides that the board of trustees of LSERS may recommend to the president of the Senate and the speaker of the House of Representatives that the system be permitted to grant a permanent benefit increase to retirees and beneficiaries whenever the balance in the LSERS employee experience account is sufficient to fund such benefit.

Present law provides the board of trustees shall not grant a permanent benefit increase unless such increase has been approved by the legislature by concurrent resolution adopted by the favorable vote of a majority of the elected members of each house.

Notwithstanding present statutory law providing for legislative approval by resolution, present constitution provides that benefits from public retirement systems may only be altered by legislative enactment. Present constitution further requires a 2/3 vote of the legislature to pass any such change in benefits that has an actuarial cost.

Present law limits the amount of the increase to the lesser of 3% or the increase in a specified consumer price index for the previous calendar year; for 2013 that increase was 1.5%.

Proposed law grants the a permanent benefit increase of 1.5% to all qualified retirees and beneficiaries of LSERS.

Pursuant to present constitution (Art. X, §29(F)), proposed law further provides that the cost of such increase shall be paid by funds from the system's experience account.

Effective June 30, 2014.