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## DIGEST

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HB 32 Original

2016 Regular Session

Jones

**Abstract:** Authorizes payment of a permanent benefit increase (or COLA) up to the present law maximum for each state retirement system for certain retirees and beneficiaries of such systems.

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 requirements a COLA, payable beginning July 1, 2016, 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 provides that the amount of the COLA shall be an amount supported by the funds in the system's experience account, after all required credits and debits to the account under present law and proposed law, 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. 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 this 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 Louisiana.

Effective June 30, 2016.

(Amends R.S. 11:542(A)(2)(intro. para) and (B)(intro. para.), 883.1(A)(2)(intro. para.) and (B)(intro. para.), 1145.1(A)(1)(intro. para.) and (B)(intro. para.), and 1332(A)(1)(intro. para.) and (B)(intro. para.); Adds R.S. 11:542(H), 542.2, 883.1(I), 883.4, 1145.1(G), 1145.3, 1331.2, and 1332(H))