

2018 Regular Session

SENATE BILL NO. 14

BY SENATOR PEACOCK AND REPRESENTATIVE PEARSON

STATE EMPLOYEE RET. Provides for a hybrid plan for rank and file members. (2/3 - CA 10s29(F)) (6/30/18)

1 AN ACT
2 To amend and reenact R.S. 11:62(5)(a) and (c), 102(B)(1) and (C)(3)(a), 403(9), 471(A),
3 471.1(C)(1), 532, 533, 538, and 542(B)(2)(a), to enact R.S. 11:102(B)(6), 102.1(E),
4 471(F), 537(G) and (H), and Part VIII of Chapter 1 of Subtitle II of Title 11 of the
5 Louisiana Revised Statutes of 1950, to be comprised of R.S. 11:641 through 657, and
6 R.S. 24:36(N), and to repeal R.S. 11:461(B)(3) and 471.1(B)(2) and (D)(2), relative
7 to the Louisiana State Employees' Retirement System; to create a hybrid plan; to
8 provide for contributions, credits, investments, eligibility, and benefits; to provide
9 for an effective date; and to provide for related matters.

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

11 Be it enacted by the Legislature of Louisiana:

12 Section 1. R.S. 11:62(5)(a) and (c), 102(B)(1) and (C)(3)(a), 403(9), 471(A),
13 471.1(C)(1), 532, 533, 538, and 542(B)(2)(a) are hereby amended and reenacted and R.S.
14 11:102(B)(6), 102.1(E), 471(F), 537(G) and (H), and Part VIII of Chapter 1 of Subtitle II of
15 Title 11 of the Louisiana Revised Statutes of 1950, comprised of R.S. 11:641 through 657,
16 are hereby enacted to read as follows:

17 §62. Employee contribution rates established

1 Employee contributions to state and statewide public retirement systems shall
2 be paid at the following rates, except as otherwise provided by law:

3 * * *

4 (5) Louisiana State Employees' Retirement System:

5 (a) Judges, court officers, the governor, **the** lieutenant governor, and
6 legislators:

7 (i) ~~Employees~~ **Judges and court officers** whose first employment making
8 them eligible for membership in one of the state systems occurred on or before
9 December 31, 2010 - 11.5%.

10 (ii) ~~Employees, other than judges in Item (iii) of this Subparagraph,~~ **Court**
11 **officers** whose first employment making them eligible for membership in one of the
12 state systems occurred on or after January 1, 2011 - 8%.

13 (iii) Judges holding positions specified in R.S. 11:553(1), (3) through (5), (7),
14 and (10) through (15) whose first employment making them eligible for membership
15 in one of the state systems occurred on or after January 1, 2011 - 13%.

16 **(iv) The governor, the lieutenant governor, and legislators whose first**
17 **employment making them eligible for membership in any public retirement or**
18 **pension system, plan, or fund occurred on or before December 31, 2010 - 11.5%.**

19 **(v) The governor and the lieutenant governor whose first employment**
20 **making them eligible for membership in any public retirement or pension**
21 **system, plan, or fund occurred on or after January 1, 2011 - 8%.**

22 * * *

23 (c) Clerk and sergeant at arms of the House of Representatives and Secretary
24 and sergeant at arms of the Senate:

25 (i) Employees whose first employment making them eligible for membership
26 in one of the state systems **any public retirement or pension system, plan, or fund**
27 occurred on or before December 31, 2010 - 9.5%.

28 (ii) Employees whose first employment making them eligible for membership
29 in one of the state systems **any public retirement or pension system, plan, or fund**

1 occurred on or after January 1, 2011 - 8%.

2 * * *

3 §102. Employer contributions; determination; state systems

4 * * *

5 B.(1) Except as provided in R.S. 11:102.1, 102.2, 102.3, 102.4, and 102.5 and
6 in ~~Paragraph (5)~~ **Paragraphs (5) and (6)** of this Subsection, for each fiscal year,
7 commencing with Fiscal Year 1989-1990, for each of the public retirement systems
8 referenced in Subsection A of this Section, the legislature shall set the required
9 employer contribution rate for each system or plan equal to the actuarially required
10 employer contribution, as determined pursuant to the provisions of this Section,
11 divided by the total projected payroll of all active members of each particular system
12 or plan for the fiscal year. Each entity funding a portion of a member's salary shall
13 also fund the employer's contribution on that portion of the member's salary at the
14 employer contribution rate specified in this Section.

15 * * *

16 **(6) Notwithstanding any provision of this Section to the contrary, the**
17 **gross employer contribution rate calculated pursuant to this Section for the**
18 **Louisiana State Employees' Retirement System plan listed in Item (C)(3)(a)(ii)**
19 **of this Section shall include a three percent contribution rate for the defined**
20 **contribution portion of the plan.**

21 * * *

22 C. * * *

23 (3) The provisions of this Paragraph and Paragraphs (4) through (9) of this
24 Subsection shall be effective for the June 30, 2010 system valuation and beginning
25 Fiscal Year 2011-2012. For purposes of this Subsection, "plan" or "plans" shall mean
26 a subgroup within the system characterized by the following employee
27 classifications:

28 (a) Rank-and-file members of the system, **which classification shall include:**

29 **(i) Members to whom Part VIII of Chapter 1 of Subtitle II of this Title**

1 **is not applicable.**

2 **(ii) Members to whom Part VIII of Chapter 1 of Subtitle II of this Title**
3 **is applicable.**

4 * * *

5 §102.1. Amortization payment schedules; priority excess return allocations;
6 Louisiana State Employees' Retirement System

7 * * *

8 **E. The calculation of the system's rate of return and the determination**
9 **of the net investment experience gain or loss or the amount of returns in excess**
10 **of the system's actuarially assumed rate of return shall exclude assets in the**
11 **following:**

12 **(1) The self-directed accounts of members who participated in the**
13 **Deferred Retirement Option Plan.**

14 **(2) The self-directed accounts of members who selected an Initial Benefit**
15 **Option upon retirement.**

16 **(3) The defined contribution component accounts of members of the**
17 **Hybrid Retirement Plan.**

18 * * *

19 §403. Definitions

20 The following words and phrases used in this Chapter shall have the
21 following meanings, unless a different meaning is clearly required by the context:

22 * * *

23 (9) "Creditable service" **or "service credit"** means prior service plus
24 membership service for which credit is allowable as provided in this Chapter.

25 * * *

26 §471. Survivors' benefits; members hired on or before December 31, 2010;
27 **members in the Hybrid Retirement Plan**

28 A. Surviving minor children. Benefits for the surviving children of members
29 ~~whose first employment making them eligible for membership in one of the state~~

1 ~~systems occurred on or before December 31, 2010, to whom this Section applies~~
 2 shall be calculated as set forth in this Section. The benefit or benefits shall be based
 3 on the average compensation of the member. A benefit shall be payable to surviving
 4 unmarried minor children of a member who had at least five years of creditable
 5 service, at least two years of which was earned immediately prior to death, and was
 6 in state service at the time of death or had twenty years or more of service credit
 7 regardless of when earned and whether the deceased member was in the state service
 8 at the time of death.

9 * * *

10 **F. The provisions of this Section shall apply to members whose first**
 11 **employment making them eligible for membership in one of the state systems**
 12 **occurred on or before December 31, 2010, and to members of the Hybrid**
 13 **Retirement Plan provided for in Part VIII of this Chapter.**

14 * * *

15 §471.1. Survivors' benefits; members hired on or after January 1, 2011

16 * * *

17 C.(1) In addition to the amount payable in accordance with Subsection B of
 18 this Section, for the benefit of the surviving minor child, or children, there shall be
 19 paid for each such child, subject to a maximum of two children, per month fifty
 20 percent of the benefit to which a spouse would be entitled under Subsection B of this
 21 Section. Benefits shall be payable to such children even if no spouse is eligible for
 22 survivor benefits, provided the member had at least five years of service credit.
 23 Benefits for a child shall cease when the child is no longer a minor child as defined
 24 by this Chapter. ~~No surviving minor child shall receive more than one survivor's~~
 25 ~~benefit at any one time. If two benefits are applicable, only the larger shall be paid.~~

26 * * *

27 §532. Employees' Savings Account

28 A. The Employees' Savings Account shall be credited as follows:

29 †: **(1) Employee contributions, excluding those contributions credited to**

1 **a member's defined contribution component account pursuant to R.S. 11:648.**

2 ~~2.~~ **(2)** Interest credited to employee contributions prior to July, 1970.

3 B. The Employees' Savings Account shall be charged as follows:

4 ~~1.~~ **(1)** Refunds paid to terminated members.

5 ~~2.~~ **(2)** Refunds paid to ~~beneficiary~~ **beneficiaries** or ~~estate~~ **estates** of deceased
6 ~~member~~ **members** where no monthly survivors' benefits are payable.

7 ~~3.~~ **(3)** Members' accumulated contributions transferred upon retirement or
8 payment of survivor's **survivors'** benefits.

9 ~~4.~~ **(4)** Members' accumulated contributions transferred to another system
10 upon transfer of service.

11 §533. Employers' Accumulation Account

12 A. The Employers' Accumulation Account shall be credited as follows:

13 ~~1.~~ **(1)** Employer contributions, **excluding those contributions credited to**
14 **a member's defined contribution component account pursuant to R.S. 11:648.**

15 ~~2.~~ **(2)** Interest paid by the agency on purchase of state service, military
16 service, and educational leave and training.

17 ~~3.~~ **(3)** Interest paid by the member to purchase state service, military service,
18 educational leave and training, and repayment of refunds.

19 ~~4.~~ **(4)** Interest, dividends, profits, and other income derived from investment
20 of the system's funds.

21 ~~5.~~ **(5)** All transactions not covered by other accounts.

22 B. The Employers' Accumulation Account shall be charged as follows:

23 ~~1.~~ **(1)** ~~Amount~~ **The amount** determined by ~~Actuary~~ **the actuary** transferred
24 at ~~the~~ end of each fiscal year to ~~the~~ Retiree's Annuity Reserve.

25 ~~2.~~ **(2)** ~~Amount~~ **The amount** required for payment of cost-of-living increases
26 for retirees shall be transferred to ~~the~~ Retiree's Annuity Reserve at the beginning of
27 each fiscal year.

28 ~~3.~~ **(3)** All transactions not covered by other accounts.

29 ~~4.~~ **(4)** Employers' accumulated contributions transferred to another system

1 upon transfer of employee service credit.

2 * * *

3 §537. Refund of contributions; application, payment, effect, repayment to system;
4 restoration of service

5 * * *

6 G. Notwithstanding any other provision of this Section to the contrary,
7 no member of the Hybrid Retirement Plan provided for in Part VIII of this
8 Chapter shall be allowed to repay any distribution made from his defined
9 contribution component account.

10 H. Any member of the Hybrid Retirement Plan provided for in Part VIII
11 of this Chapter who requests a refund of contributions pursuant to this Section
12 shall be required to also request distribution of his defined contribution
13 component account pursuant to R.S. 11:652.

14 §538. Termination of contributions; benefits

15 A. The retirement benefits provided by this Part shall not exceed the limits
16 provided in R.S. 11:444(B).

17 B.(1) When a member whose first employment making him eligible for
18 membership in one of the state systems occurred on or before December 31,
19 2019, or who is a member of the Hazardous Duty Services Plan provided for in
20 Subpart D of Part VII of this Chapter or who is a judge holding a position
21 specified in R.S. 11:553(1), (3) through (5), (7), or (10) through (15), has earned
22 benefits equal to one hundred percent of his average compensation, no further
23 contributions shall be required of him. The State employer shall continue to pay to
24 the system the ~~employer's contribution~~ employer contributions.

25 (2) When a member whose first employment making him eligible for
26 membership in the system occurred on or after January 1, 2020, has earned
27 benefits under the defined benefit component of the Hybrid Retirement Plan
28 pursuant to Part VIII of this Chapter equal to one hundred percent of his
29 average compensation, he may elect to make no further contributions. If a

1 member elects to cease contributions, his average compensation shall be frozen
2 as of the date of election and no further increases to salary shall be utilized for
3 calculation of his average compensation. The employer shall continue to pay to
4 the system the employer contributions.

5 * * *

6 §542. Experience account

7 * * *

8 B.

* * *

9 (2) The experience account shall be credited as follows:

10 (a) To the extent permitted by Subparagraph (c) of this Paragraph and after
11 allocation to the amortization bases as provided in R.S. 11:102.1, an amount not to
12 exceed fifty percent of the remaining balance of the prior year's net investment
13 experience gain as determined by the system's actuary pursuant to R.S.
14 11:102.1(E), multiplied by a fraction. The numerator of the fraction shall be the
15 total actuarial accrued liability of all defined benefit plans in the system less the
16 total actuarial accrued liability of the defined benefit component of the Hybrid
17 Retirement Plan provided for in Part VIII of this Chapter. The denominator of
18 the fraction shall be the total actuarial accrued liability of all defined benefit
19 plans in the system.

20 * * *

21 PART VIII. HYBRID RETIREMENT PLAN

22 §641. Creation of Hybrid Retirement Plan

23 A. The Hybrid Retirement Plan is created within the Louisiana State
24 Employees' Retirement System for persons whose first employment making
25 them eligible for membership in the system occurred on or after January 1,
26 2020, except those persons who are eligible to be members of the Hazardous
27 Duty Services Plan pursuant to Subpart D of Part VII of this Chapter or judges
28 holding positions provided in R.S. 11:553(1), (3) through (5), (7), and (10)
29 through (15).

1 **B. Any other provisions of this Chapter or any other laws to the contrary**
2 **notwithstanding, the retirement of members of the Hybrid Retirement Plan**
3 **shall be governed by the provisions of this Part; however, if provisions of this**
4 **Chapter cover matters not specifically addressed by the provisions of this Part**
5 **or if any of the provisions of this Chapter are made applicable in this Part, then**
6 **those provisions shall apply to members governed by this Part.**

7 **§642. Application; definitions**

8 **Terms not specifically defined in this Section shall have the same**
9 **meanings provided in R.S. 11:403, unless a different meaning is clearly required**
10 **by the context. For purposes of this Part:**

11 **(1) "Average compensation" means the average annual earned**
12 **compensation of a member for the sixty highest months of successive**
13 **employment, or for the highest sixty successive joined months of employment**
14 **where interruption of service occurred; however, average compensation for any**
15 **part-time employee who does not use sixty months of full-time employment for**
16 **average compensation purposes shall be based on the base pay the part-time**
17 **employee would have received had he been employed on a full-time basis. The**
18 **earnings to be considered for the thirteenth through the twenty-fourth month**
19 **shall not exceed one hundred fifteen percent of the earnings of the first through**
20 **the twelfth month. The earnings to be considered for the twenty-fifth through**
21 **the thirty-sixth month shall not exceed one hundred fifteen percent of the**
22 **earnings of the thirteenth through the twenty-fourth month. The earnings to be**
23 **considered for the thirty-seventh through the forty-eighth month shall not**
24 **exceed one hundred fifteen percent of the earnings of the twenty-fifth through**
25 **the thirty-sixth month. The earnings for the final twelve months shall not exceed**
26 **one hundred fifteen percent of the earnings of the thirty-seventh through the**
27 **forty-eighth month. The limitations on the computation of average**
28 **compensation contained in this Paragraph shall not apply to any twelve-month**
29 **period during which compensation increased by more than fifteen percent over**

1 the previous twelve-month period solely because of an increase in compensation
2 by a uniform systemwide increase adopted by the state Department of Civil
3 Service and approved by the governor or because of a pay adjustment enacted
4 by the legislature.

5 (2) "Defined benefit component" means the portion of the Hybrid
6 Retirement Plan that provides a defined benefit plan, which has a benefit
7 structure as set forth in this Part.

8 (3) "Defined contribution component" means the portion of the Hybrid
9 Retirement Plan that provides a defined contribution plan, which has a benefit
10 structure as set forth in this Part.

11 (4) "Member" means any person whose first employment making him
12 eligible for membership in the system occurred on or after January 1, 2020,
13 except any person who is eligible to be a member of the Hazardous Duty
14 Services Plan pursuant to Subpart D of Part VII of this Chapter or any judge
15 holding a position provided in R.S. 11:553(1), (3) through (5), (7), or (10)
16 through (15).

17 (5) "Plan" means the Hybrid Retirement Plan created by this Part.

18 (6) "System" means the Louisiana State Employees' Retirement System.

19 (7) "Vested balance" means all contributions made by the member and
20 that portion of the employer contributions, earnings, and investment
21 appreciation or depreciation to which the member is entitled pursuant to R.S.
22 11:648(D).

23 §643. Eligibility for plan membership

24 Each person who becomes an employee in state service whose first
25 employment making him eligible for membership in the system occurred on or
26 after January 1, 2020, who is not a member of the Hazardous Duty Services
27 Plan pursuant to Subpart D of Part VII of this Chapter and who is not a judge
28 holding a position provided in R.S. 11:553(1), (3) through (5), (7), or (10)
29 through (15), shall become a member of the Hybrid Retirement Plan of the

1 system as a condition of employment.

2 §644. Eligibility for retirement; payment of benefit

3 A. A member of this Plan shall be eligible for retirement if he has:

4 (1) Five years or more of creditable service at age sixty-five, except as
5 provided in R.S. 11:653(B).

6 (2) Twenty years of service credit at age fifty-five, exclusive of military
7 service and unused annual and sick leave, but any person retiring under this
8 Paragraph shall have his benefit, inclusive of military service credit and
9 allowable unused annual and sick leave, actuarially reduced from the earliest
10 age that he would normally become eligible for a regular retirement benefit
11 under Paragraph (1) of this Subsection if he had continued in service to that
12 age.

13 B. The retirement allowance or benefit, which shall include both the
14 benefit from the defined benefit component pursuant to R.S. 11:645 and the
15 annuitized portion of the defined contribution component pursuant to R.S.
16 11:650, shall be paid in equal monthly installments for life and shall not be
17 increased, decreased, revoked, or repealed except for error or where otherwise
18 specifically provided by law.

19 §645. Defined benefit component benefit calculation

20 A. A member of the Plan shall receive a retirement benefit equal to one
21 and one-half percent of average compensation for every year of creditable
22 service in the Plan.

23 B. In addition to the benefit provided in Subsection A of this Section, any
24 member with creditable service in any other plan in the system shall receive a
25 retirement benefit based on the accrual rate applicable to such creditable
26 service for every year of creditable service in the other plan.

27 C. Except as provided in R.S. 11:656, a member may elect to receive his
28 benefit in a retirement allowance, or he may elect to receive the actuarial
29 equivalent of his retirement allowance in a reduced retirement allowance

1 pursuant to R.S. 11:446.

2 D. The provisions of R.S. 11:444(A)(3), (B), and (C) shall be applicable
3 to the defined benefit component of the Plan.

4 §646. Disability retirement

5 A. The disability retirement provisions in Subpart B of Part IV of this
6 Chapter shall be applicable to members of the Plan.

7 B. Upon approval of a member's disability retirement, the vested balance
8 of his defined contribution component account shall be distributed as a
9 lump-sum payment; a trustee-to-trustee, single-sum transfer between qualified
10 plans; or a payment made directly to a conduit individual retirement account.
11 Any non-vested balance in the member's defined contribution component
12 account shall revert to the defined benefit component of the Plan and shall be
13 recognized by the system as an experience gain.

14 §647. Survivors' benefits

15 A. The surviving spouse or children of any member shall receive benefits
16 as provided in R.S. 11:471.

17 B. The provisions of R.S. 11:472 through 477 concerning procedures for
18 payment of survivor benefits, which are not in conflict with this Part shall apply
19 to survivors of Plan members.

20 C.(1) Upon the death of a member, the vested balance of his defined
21 contribution component account shall be payable to the named beneficiary of
22 the account. The beneficiary may choose to receive the account balance as a
23 lump-sum payment; a trustee-to-trustee, single-sum transfer between qualified
24 plans; or a payment made directly to a conduit individual retirement account.

25 (2) If the member's spouse is the named beneficiary of the defined
26 contribution component account, then the spouse may elect to annuitize any
27 portion of the vested balance of the member's defined contribution component
28 account. The system shall annuitize the requested portion of the account
29 pursuant to R.S. 11:650(C) and the annuitized portion shall be included as part

1 of the survivor benefit payable to the spouse. Any unannuitized vested balance
2 shall be payable as set forth in Paragraph (1) of this Subsection.

3 (3) Any non-vested balance in the member's defined contribution
4 component account shall revert to the defined benefit component of the Plan
5 and shall be recognized by the system as an experience gain.

6 §648. Defined contribution component account

7 A. Each member of the Plan shall have a defined contribution
8 component account, which shall be credited with seven percent of the member's
9 earned compensation as follows:

10 (1) A three percent employer contribution pursuant to R.S. 11:102(B)(6).

11 (2)(a) A four percent employee contribution funded from a portion of the
12 employee contributions paid pursuant to R.S. 11:62.

13 (b) The remaining employee contributions paid pursuant to R.S. 11:62
14 shall be credited to the defined benefit component of the Plan as the employee
15 portion of the normal cost of the defined benefit component.

16 (3) Members shall be prohibited from making additional voluntary
17 contributions to their defined contribution component accounts and no funds
18 shall be transferred into any member's defined contribution component account
19 from outside of the system.

20 (4) Under no circumstances shall the contributions credited to a
21 member's defined contribution component account pursuant to this Subsection
22 exceed the limitation on contributions as set by Section 415(c) of the Internal
23 Revenue Code or any amendment thereto.

24 B.(1)(a) The system is authorized to hire a third-party provider pursuant
25 to R.S. 11:649, who shall be an agent of the system for purposes of offering
26 members access to investment products. The products shall include any
27 investment option set forth in Paragraph (3) of this Subsection.

28 (b) The third-party provider shall be authorized to charge administrative
29 fees for the management of the member's defined contribution component

1 account.

2 (2)(a) The default investment option for the member's defined
3 contribution component account shall be the stable value fund offered through
4 the third-party provider pursuant to this Subsection.

5 (b) Any member who chooses to invest in an investment or product other
6 than the stable value fund:

7 (i) Shall expressly waive his rights set forth in Article X, Section 29(A)
8 and (B) of the Constitution of Louisiana relative to his defined contribution
9 component account.

10 (ii) Agrees that he and the provider shall be responsible for complying
11 with all applicable provisions of the Internal Revenue Code; and if any violation
12 of that code occurs as a result of the member's investment choices, then it shall
13 be the responsibility and liability of the member and the provider and not the
14 system.

15 (iii) Agrees that any returns are the sole responsibility of the member.
16 There shall be no liability on the part of and no cause of action of any nature
17 shall arise against the state, the system, or its agents or employees as a result of
18 any negative consequences resulting from any action taken by the member with
19 regard to his investment decisions.

20 (3) Except as provided in Paragraph (2) of this Subsection, member
21 defined contribution component accounts shall be invested based on the
22 members' investment allocation choices. Members shall choose among, at a
23 minimum, the following investment options:

24 (a) A stable value fund.

25 (b) Target date funds.

26 (c) Self-directed brokerage accounts managed by the third-party
27 provider.

28 (4) Members may change their allocations among the offered investment
29 options at any time.

1 C.(1) In addition to the credits provided for in Subsection A of this
 2 Section, a member's account shall be credited in the amount of any investment
 3 gains attributable to the member's investments.

4 (2) A member's defined contribution component account shall be debited
 5 as follows:

6 (a) An amount sufficient to cover any fees charged pursuant to
 7 Subparagraph (B)(1)(b) of this Section.

8 (b) An amount equal to any investment losses attributable to the
 9 member's investments.

10 D. All contributions made by the member are immediately vested. All
 11 employer contributed amounts and all applicable earnings and investment
 12 appreciation or depreciation shall become vested based on the number of
 13 months the member has contributed to the defined contribution component in
 14 accordance with the following vesting schedule:

<u>Months of Contribution</u>	<u>Vested Percentage</u>
<u>Less than 24 months</u>	<u>0%</u>
<u>At least 24 months</u>	<u>50%</u>
<u>At least 36 months</u>	<u>75%</u>
<u>At least 48 months</u>	<u>100%</u>

20 E. All monies in the defined contribution component accounts shall
 21 remain a part of the fund regardless of the investment option chosen by the
 22 member until the monies are distributed in accordance with the provisions of
 23 the Plan.

24 §649. Selection of provider

25 The board of trustees of the system shall select a provider, which shall
 26 be authorized to place the designated portion of the member's defined
 27 contribution component account balance in products that shall be selected by
 28 the member. In selecting a provider, the board shall consider, among other
 29 things, the following:

1 **(1) The tax status of the products.**

2 **(2) The types and diversity of products offered by the provider, which**
3 **shall include, at a minimum, one short-term fixed income option.**

4 **(3) The ability of the designated provider to provide the rights and**
5 **benefits under the products.**

6 **§650. Defined contribution component benefit calculation**

7 **A. Upon application for retirement, a member shall be entitled to receive**
8 **an annuity based upon a specified portion of the vested balance of his defined**
9 **contribution component account. The member shall select the portion of the**
10 **vested balance to annuitize. The minimum portion shall be equal to or greater**
11 **than seventy-five percent of the vested balance. The specified portion shall be**
12 **removed from the member's defined contribution component account.**

13 **B. The retirement plan option and beneficiary selected by the member**
14 **for the defined benefit component benefit shall also be applicable to the annuity**
15 **provided for in this Section.**

16 **C. The system shall annuitize the specified portion of the defined**
17 **contribution component account balance using an annuity rate based upon the**
18 **actuarial assumptions in use by the system as of the date of retirement, except**
19 **that the return assumption used shall equal the system's actuarially assumed**
20 **rate of return less two percent. The actuarial assumptions used by the system**
21 **shall account for the permanent benefit increases provided for in R.S. 11:651.**

22 **D. The member may elect to receive any unannuitized vested balance as**
23 **a lump-sum payment; a trustee-to-trustee, single-sum transfer between**
24 **qualified plans; a payment made directly to a conduit individual retirement**
25 **account; or systematic disbursements in any manner approved by the board.**
26 **Any vested balance remaining in the member's defined contribution component**
27 **account shall be invested pursuant to R.S. 11:648(B).**

28 **E. Any non-vested balance in the member's defined contribution**
29 **component account shall revert to the defined benefit component of the Plan**

1 and shall be recognized by the system as an experience gain.

2 §651. Permanent benefit increases

3 A. If the system is at least sixty-five percent funded, eligible retirees shall
4 be entitled to a biennial two percent permanent benefit increase payable on July
5 first of every odd-numbered year.

6 B. The permanent benefit increase shall be based on the retirement
7 allowance pursuant to R.S. 11:644(B) received in accordance with the
8 retirement plan option selected by the member and the monthly benefit being
9 paid pursuant thereto on the effective date of the increase, excluding any
10 portion of the benefit to which R.S. 11:645(B) applies.

11 C. In order to be eligible for the permanent benefit increase, as of June
12 thirtieth of the year in which the increase is to be paid, the retiree:

13 (1) Shall have received a benefit for at least one year.

14 (2) Shall have attained at least age sixty-five.

15 D.(1) If a retiree has chosen an optional retirement allowance wherein
16 a spouse who was designated as beneficiary is receiving a benefit upon the
17 retiree's death or a deceased member's spouse is receiving a survivor benefit
18 pursuant to R.S. 11:647, then the spouse shall be eligible to receive the
19 permanent benefit increase provided for in this Section if, as of June thirtieth
20 of the year in which the increase is to be paid, the following conditions apply:

21 (a) Benefits have been paid to the member or retiree, or the spouse, or
22 both combined, for at least one year.

23 (b) The member or retiree would have attained age sixty-five.

24 (2) The permanent benefit increase shall be payable based on the
25 spouse's allowance on the effective date of the increase.

26 E. The permanent benefit increase provided for in this Section shall be
27 accounted for when calculating the actuarial cost of any purchase of service or
28 any transfer of service from any other public retirement or pension system,
29 plan, or fund into the system.

1 **§652. Portability of defined contribution component account balance**

2 **A.(1) Any member who separates from service under the provisions of**
3 **this Section may apply for and receive a distribution of the total vested balance**
4 **of his defined contribution component account as a lump-sum payment; in the**
5 **form of a trustee-to-trustee, single-sum transfer between qualified plans; or as**
6 **a payment made directly to a conduit individual retirement account.**

7 **(2) No distribution shall be made until an application form furnished by**
8 **the system has been completed by the member, certified by the appointing**
9 **authority or personnel officer of the agency, and filed with the system no earlier**
10 **than the day after separation from state service.**

11 **(3) No distribution shall be made until the requesting member has**
12 **separated from all state service and has remained out of state service for a**
13 **period of thirty calendar days and until all contributions for the member have**
14 **been submitted by his agency.**

15 **B.(1) Any member for whom membership is optional may apply for and**
16 **receive a distribution of the total vested balance of his defined contribution**
17 **component account as a lump-sum payment; in the form of a trustee-to-trustee,**
18 **single-sum transfer between qualified plans; or as a payment made directly to**
19 **a conduit individual retirement account.**

20 **(2) Any member for whom membership is optional may withdraw from**
21 **membership in the system through written notice of withdrawal.**

22 **(3) No distribution shall be made for a period of thirty calendar days**
23 **after receipt by the system of written notice of withdrawal and until all**
24 **contributions for the member have been submitted by his agency.**

25 **C. Acceptance of a distribution automatically cancels all rights in the**
26 **defined contribution component of the Plan and the member forfeits any**
27 **non-vested balance in his defined contribution component account. The**
28 **non-vested balance shall revert to the defined benefit component of the Plan and**
29 **shall be recognized by the system as an experience gain.**

1 D. Any member who requests a distribution pursuant to this Section
2 shall be required to request a refund of his accumulated contributions in the
3 defined benefit component pursuant to R.S. 11:537.

4 §653. Members of existing plans joining the Hybrid Retirement Plan

5 A. Any member of the system whose first employment making him
6 eligible for membership in the system occurred on or after July 1, 2006, who
7 would otherwise be eligible for benefits under the Plan except that his first
8 employment making him eligible for membership in the system occurred on or
9 before December 31, 2019, and who has not previously retired or participated
10 in the Deferred Retirement Option Plan, shall have the right to irrevocably elect
11 to become a member of the Plan by submitting a system furnished application
12 to the board of trustees to be effective on or after January 1, 2020. The
13 application to join the Hybrid Retirement Plan shall be submitted on or before
14 December 31, 2020. Any member who fails to submit an application to join the
15 Plan by that date shall be prohibited from joining the Plan.

16 B. The following shall apply to any member who elects to join the Hybrid
17 Retirement Plan from an existing plan of the system:

18 (1) The member shall maintain his prior service credit in the existing
19 plan and shall accrue service credit and benefits in the Hybrid Retirement Plan
20 from the date he joins the Plan. Benefits for the service credit in the existing
21 plan shall be calculated pursuant to R.S. 11:645(B).

22 (2) The member shall retain his eligibility for retirement as provided in
23 R.S. 11:441(A)(2) or 558(A), as applicable. Service credit in the existing plan
24 shall be included in determining the member's eligibility for retirement.

25 (3) The benefit for any service credited to the member for unused sick
26 leave and annual leave pursuant to R.S. 11:424 shall be calculated based upon
27 the accrual rate provided in R.S. 11:645(A).

28 C. Any member who elects to join the Hybrid Retirement Plan from an
29 existing plan shall expressly waive all rights under any provision of law that is

1 inapplicable to members of this Plan pursuant to R.S. 11:656. However, any
2 service credit purchased pursuant to R.S. 11:429 prior to the member joining
3 this Plan shall remain in the existing plan, and the member shall retain the right
4 to upgrade the previously purchased service credit, if applicable.

5 §654. Members of the Hazardous Duty Services Plan

6 A. Any member of the Hazardous Duty Services Plan provided for in
7 Subpart D of Part VII of this Chapter whose first employment making him
8 eligible for membership in the system occurred on or after January 1, 2020, and
9 who becomes employed in a position that makes him ineligible for membership
10 in the Hazardous Duty Services Plan shall become a member of this Plan.

11 B. The provisions of R.S. 11:653(B) shall apply to any former member
12 of the Hazardous Duty Services Plan who becomes a member of this Plan.

13 C.(1) Any member of the Hybrid Retirement Plan who becomes a
14 member of the Hazardous Duty Services Plan shall retain his defined
15 contribution component account. The defined contribution component account
16 shall remain subject to the provisions of this Part. However, the provisions of
17 R.S. 11:648(A)(1) and (2) shall be inapplicable and no further employee or
18 employer contributions shall be credited to the account.

19 (2) The provisions of R.S. 11:647(C) shall remain applicable to the
20 Hazardous Duty Services Plan member's defined contribution component
21 account.

22 D.(1) The provisions of R.S. 11:650 governing the defined contribution
23 component benefit calculation shall be applicable to any member of the Hybrid
24 Retirement Plan who becomes a member of, and retires from, the Hazardous
25 Duty Services Plan.

26 (2) At the time of retirement, the member may select a retirement plan
27 option and beneficiary for the defined contribution component benefit as
28 provided in R.S. 11:645(C).

29 (3) The provisions of R.S. 11:656 shall be applicable to the Hazardous

1 Duty Services Plan member's defined contribution component benefit.

2 (4) The provisions of R.S. 11:621 shall not be applicable to the defined
3 contribution component benefit.

4 E. The provisions of this Part shall not be applicable to any defined
5 benefit component service credit for which the member receives a benefit under
6 the provisions of the Hazardous Duty Services Plan pursuant to Subpart D of
7 Part VII of this Chapter. However, the provisions of R.S. 11:645(A) shall be
8 used to determine the accrual rate applicable to such service.

9 §655. Judges

10 A. Any judge holding a position specified in R.S. 11:553(1), (3) through
11 (5), (7), or (10) through (15) whose first employment making him eligible for
12 membership in the system occurred on or after January 1, 2020, and who
13 becomes employed in a position that is not specified in R.S. 11:553(1), (3)
14 through (5), (7), or (10) through (15) shall become a member of the Plan.

15 B. The provisions of R.S. 11:653(B) shall apply to any former judge who
16 becomes a member of the Hybrid Retirement Plan.

17 C.(1) Any member of the Hybrid Retirement Plan who becomes a judge
18 holding a position specified in R.S. 11:553(1), (3) through (5), (7), or (10)
19 through (15) shall retain his defined contribution component account. The
20 defined contribution component account shall remain subject to the provisions
21 in this Part. However, the provisions of R.S. 11:648(A)(1) and (2) shall be
22 inapplicable and no further employee or employer contributions shall be
23 credited to the account.

24 (2) The provisions of R.S. 11:647(C) shall remain applicable to the
25 judge's defined contribution component account.

26 D.(1) The provisions of R.S. 11:650 shall be applicable to any member of
27 the Hybrid Retirement Plan who becomes a member of, and retires from, any
28 retirement plan in the system applicable to judges holding positions specified
29 in R.S. 11:553(1), (3) through (5), (7), and (10) through (15).

1 (2) The retirement plan option and beneficiary selected by the member
2 under the plan from which he retires shall also be applicable to the defined
3 contribution component annuity provided for in R.S. 11:650.

4 (3) The provisions of R.S. 11:656 shall be applicable to the defined
5 contribution component benefit.

6 (4) Notwithstanding any other provisions of this Section or any other
7 provision of law to the contrary, the provisions of R.S. 11:562 shall not be
8 applicable to the defined contribution component benefit.

9 E.(1) Retirement benefits for any system member who becomes a
10 member of, and retires from, any retirement plan in the system applicable to
11 judges holding any positions specified in R.S. 11:553(1), (3) through (5), (7), and
12 (10) through (15) shall upon retirement receive a retirement benefit for service
13 credit earned in the defined benefit component of the Hybrid Retirement Plan
14 based on the applicable accrual rate when earned.

15 (2) The provisions of this Part shall not be applicable to any defined
16 benefit component service credit for which the member receives a benefit under
17 the provisions of this Subsection. However, the provisions of R.S. 11:645(A)
18 shall be used to determine the accrual rate applicable to such service.

19 §656. Applicability of other provisions

20 Notwithstanding any other provision of law to the contrary, the following
21 provisions shall not be applicable to members of the Plan:

22 (1) Purchases of service credit pursuant to R.S. 11:429.

23 (2) The Deferred Retirement Option Plan provided for in R.S. 11:447,
24 et seq.

25 (3) The Initial Benefit Option provided for in R.S. 11:446(A)(5).

26 (4) The Annual Cost-of-Living Adjustment Option provided for in R.S.
27 11:247 and 446(A)(6).

28 (5) The permanent benefit increases provided for in R.S. 11:542, except
29 that members shall be eligible for such permanent benefit increases on any

1 portion of their benefit pursuant to R.S. 11:645(B).

2 (6) The employment of retiree provisions pursuant to R.S. 11:416. A
3 retiree who retires under the provisions of the Plan and who subsequently
4 engages in employment which otherwise would render him eligible for
5 membership in the system shall not be eligible for membership and shall not
6 rejoin the system. There shall be no effect on the retiree's benefit.

7 §657. Transfers of service; reciprocal recognition of service

8 A. Notwithstanding any other provision of law to the contrary, if a
9 member of the Plan transfers service credit from the Plan to any other public
10 retirement or pension system, plan, or fund pursuant to R.S. 11:143, the
11 transfer shall be applicable only to the defined benefit component of the Plan.
12 The member's defined contribution component account, including all employee
13 and employer contributions and investment earnings, shall remain in the system
14 and shall be distributed only pursuant to R.S. 11:652.

15 B. Members of the Plan may transfer service into the defined benefit
16 component of the Plan pursuant to R.S. 11:143.

17 C. The provisions of R.S. 11:142 shall be applicable to service credit in
18 the defined benefit component of the Plan.

19 Section 2. R.S. 24:36(N) is hereby enacted to read as follows:

20 §36. Additional benefits payable to legislators; certain legislative personnel;
21 governor; lieutenant governor; political subdivision service credit;
22 credit for service previously rendered; additional contributions;
23 computation of benefits payable; membership

24 * * *

25 N. The provisions of this Section shall not be applicable to any person
26 whose first employment making him eligible for membership in the Louisiana
27 State Employees' Retirement System began on or after January 1, 2020.

28 Section 3. R.S. 11:461(B)(3) and 471.1(B)(2) and (D)(2) are hereby repealed.

29 Section 4. The cost of this Act, if any, shall be funded through additional employer

1 contributions in compliance with Article X, Section 29(F) of the Constitution of Louisiana.

2 Section 5. This Act shall become effective on June 30, 2018; if vetoed by the
3 governor and subsequently approved by the legislature, this Act shall become effective on
4 June 30, 2018, or on the day following such approval by the legislature, whichever is later.

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

DIGEST

SB 14 Engrossed

2018 Regular Session

Peacock

Present law provides certain benefits for any person whose first employment making him eligible for membership in the Louisiana State Employee' Retirement System (LASERS) began on or after July 1, 2006. Provides for three different benefit structures for judges, hazardous duty members, and rank-and-file members. All rank-and-file members have the following defined benefit structure:

- (1) Employee contribution of 8% of pay.
- (2) Employer contributions actuarially determined.
- (3) Eligibility for retirement with an unreduced benefit with five years of service at age 60 or age 62 if hired after June 30, 2015.
- (4) Lifetime annuity calculated according to the formula:
(2.5%) x (years of service) x (average compensation of highest 60 months).

Proposed law establishes a mandatory Hybrid Retirement Plan (HRP) for rank-and-file LASERS members who are hired on or after January 1, 2020, with the following benefit structure:

Defined Benefit Component (DBC):

- (1) Employee contribution of 4% of pay.
- (2) Employer contributions actuarially determined.
- (3) Eligibility for retirement with five years of service at age 65.
- (4) Lifetime annuity calculated according to the formula:
(1.5%) x (years of service) x (average compensation of highest 60 months).

Defined Contribution Component (DCC):

- (1) Employee contribution of 4% of pay.
- (2) Employer contribution of 3% of pay.
- (3) Account balance, including employee and employer contributions and investment earnings, fully vested in 48 months according to a schedule.
- (4) Eligibility for retirement with five years of service at age 65.
- (5) Minimum of 75% of the DCC account annuitized at retirement and the remaining

balance paid in a lump sum.

Proposed law authorizes any rank-and-file member of LASERS hired on or after July 1, 2006, and on or before Jan. 1, 2020, to make an irrevocable election to join the HRP on or before Dec. 31, 2020. Allows any such member to retain the retirement age (of 60 or 62) the member has in the current plan.

Present law provides for eligibility for and calculation of disability and survivor benefits for rank-and-file members hired before July 1, 2006, and on or after July 1, 2006.

Proposed law retains present law, makes present law survivor provisions for those hired before July 1, 2006, applicable to HRP members, and makes present law disability provisions of those hired on or after July 1, 2006, applicable to HRP members.

Proposed law provides for eligibility for and calculation of members' accrued benefits in the HRP and another LASERS plan. Uses the accrual rate of the plan in which the service credit was earned to calculate the portion of the benefit attributable to that service credit.

Present law provides for certain earnings of the system to be deposited in an experience account for the purpose of funding permanent benefit increases (PBIs) for retirees.

Proposed law retains present law and provides a formula to assure that earnings attributable to HRP assets are not deposited in the experience account. Excludes HRP members from receiving PBIs from the experience account.

Proposed law provides for a 2% PBI to be granted to certain HRP retirees or beneficiaries in every odd-numbered year in which LASERS is at least 65% funded.

Present law generally provides for conformity with the Internal Revenue Code including provisions for lump-sum distributions.

Proposed law retains present law.

Effective June 30, 2018.

(Amends R.S. 11:62(5)(a) and (c), 102(B)(1) and (C)(3)(a), 403(9), 471(A), 471.1(C)(1), 532, 533, 538, and 542(B)(2)(a); adds R.S. 11:102(B)(6), 102.1(E), 471(F), 537(G) and (H), 641-657, and R.S. 24:36(N); repeals R.S. 11:461(B)(3) and 471.1(B)(2) and (D)(2))