

2020 Regular Session

HOUSE BILL NO. 33

BY REPRESENTATIVE IVEY

RETIREMENT/TEACHERS: Establishes an optional hybrid retirement plan for persons who are employed by a public postsecondary education management board

1 AN ACT

2 To amend and reenact R.S. 11:102(B)(1) and (3)(a), (D)(2)(a) and (b), (4), (5), and (6)(a),
3 (b), and (c), 247(A)(1), (D), and (E), 883.1(C), and 927(A) and (B)(2)(a) and (b) and
4 (3)(a)(i) and to enact R.S. 11:62(14), 102(D)(3)(d), 102.7, and Chapter 7 of Subtitle
5 II of Title 11 of the Louisiana Revised Statutes of 1950, comprised of R.S. 11:1399.1
6 through 1399.11, relative to benefits for public employees whose first employment
7 by a public postsecondary management board occurs on or after a date certain; to
8 provide with respect to membership, credits, eligibility, accruals, and benefits of
9 such members; to provide with respect to employee and employer contributions; to
10 provide relative to system assets and liabilities attributable to such members; and to
11 provide for related matters.

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

15 Be it enacted by the Legislature of Louisiana:

16 Section 1. R.S. 11:102(B)(1) and (3)(a), (D)(2)(a) and (b), (4), (5), and (6)(a), (b),
17 and (c), 247(A)(1), (D), and (E), 883.1(C), and 927(A) and (B)(2)(a) and (b) and (3)(a)(i)
18 are hereby amended and reenacted and R.S. 11:62(14), 102(D)(3)(d), 102.7, and Chapter 7
19 of Subtitle II of Title 11 of the Louisiana Revised Statutes of 1950, comprised of R.S.
20 11:1399.1 through 1399.11, are hereby enacted to read as follows:

1 §62. Employee contribution rates established

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

4 * * *

5 (14) Persons employed by a public postsecondary education management
6 board in the hybrid retirement plan - the amount calculated pursuant to R.S.
7 11:102.7.

8 * * *

9 §102. Employer contributions; determination; state systems

10 * * *

11 B.(1) Except as provided in R.S. 11:102.1, 102.2, 102.3, 102.4, ~~and 102.5,~~
12 and 102.7 and in Paragraph (5) of this Subsection, for each fiscal year, commencing
13 with Fiscal Year 1989-1990, for each of the public retirement systems referenced in
14 Subsection A of this Section, the legislature shall set the required employer
15 contribution rate as follows:

16 (a) for each system or plan For each plan except the hybrid plans, the rate
17 shall be set equal to the actuarially required employer contribution, as determined
18 pursuant to the provisions of this Section, divided by the total projected payroll of
19 all active members of each ~~particular system or~~ such plan for the fiscal year.

20 (b) For the hybrid plans, the rate shall be set equal to the actuarially required
21 employer contribution, as determined under Paragraph (3) of this Subsection, divided
22 by the total projected payroll of all active members of the hybrid plan for the fiscal
23 year.

24 (c) Each entity funding a portion of a member's salary shall also fund the
25 employer's contribution on that portion of the member's salary at the employer
26 contribution rate specified in this Section.

27 * * *

1 determined in accordance with this Subsection. Beginning with Fiscal Year 2021-
2 2022, the outstanding balances of amortization bases established pursuant to
3 (B)(3)(d)(i) through (iv) of this Section shall also be calculated in accordance with
4 the provisions of R.S. 11:102.7.

5 (b) Notwithstanding the provisions of Subparagraph (a) of this Paragraph,
6 effective for the June thirtieth valuation following the fiscal year in which the system
7 first attains a funded percentage of seventy or more pursuant to R.S. 11:883.1 and
8 for every year thereafter, the amortization period for the changes, gains, or losses of
9 the system provided in Items (B)(3)(d)(i) through (iv) of this Section occurring in
10 that year or thereafter shall be twenty years from the year in which the change, gain,
11 or loss occurred. Beginning with Fiscal Year 2021-2022, the outstanding balances
12 of amortization bases established pursuant to (B)(3)(d)(i) through (iv) of this Section
13 shall also be calculated in accordance with the provisions of R.S. 11:102.7.

14 * * *

15 (3) The provisions of this Paragraph and Paragraphs (4) through (9) of this
16 Subsection shall be effective for the June 30, 2011 system valuation and beginning
17 Fiscal Year 2012-2013. For purposes of this Subsection, "plan" or "plans" shall
18 mean a subgroup within the system characterized by the following employee
19 classifications:

20 * * *

21 (d) Members of the hybrid plan.

22 (4) Effective for the June 30, 2011 system valuation and beginning with
23 Fiscal Year 2012-2013, the normal cost calculated pursuant to Subparagraph
24 (B)(3)(a) of this Section and R.S. 11:102.7, shall be calculated separately for each
25 particular plan within the system. An employer shall pay employer contributions for
26 each employee at the rate applicable to the plan of which that employee is a member.

27 (5) Effective for the June 30, 2011 system valuation and beginning with
28 Fiscal Year 2012-2013, changes in actuarial liability due to legislation, changes in
29 governmental organization, or reclassification of employees or positions shall be

1 calculated individually for each particular plan within the system based on each
2 plan's actuarial experience as further provided in Subparagraph (6)(c) of this
3 Subsection and R.S. 11:102.7.

4 (6) For each plan referenced in Paragraph (3) of this Subsection, the
5 legislature shall set the required employer contribution rate equal to the sum of the
6 following:

7 (a) The particularized normal cost rate. The normal cost rate for each fiscal
8 year shall be the employer's normal cost for employees in the plan computed by
9 applying the method specified in Paragraph (B)(1) and Subparagraph (B)(3)(a) of
10 this Section and R.S. 11:102.7 to the plan.

11 (b) The shared unfunded accrued liability rate. A single rate shall be
12 computed for each fiscal year, applicable to all plans for actuarial changes, gains, and
13 losses existing on June 30, 2011, or occurring thereafter, including experience and
14 investment gains and losses, which are independent of the existence of the plans
15 listed in Paragraph (3) of this Subsection, the payment and rate therefor shall be
16 calculated as provided in this Subsection and Paragraphs (B)(1) and (3) of this
17 Section and R.S. 11:102.7.

18 (c) The particularized unfunded accrued liability rate. For actuarial changes,
19 gains, and losses, excluding experience and investment gains and losses, first
20 recognized in the June 30, 2011₂ valuation or in any later valuation, attributable to
21 one or more, but not all, plans listed in Paragraph (3) of this Subsection or to some
22 new plan or plans, created, implemented, or enacted after July 1, 2011, a
23 particularized contribution rate shall be calculated as provided in this Subsection and
24 Paragraphs (B)(1) and (3) of this Section and R.S. 11:102.7.

25 * * *

26 §102.7. Contribution rates for hybrid plan members

27 A. For the purposes of this Section, the following terms shall have the
28 following meanings unless another meaning is clearly required by context:

1 (1) "New member" shall mean any member who has opted into the hybrid
2 plan.

3 (2) "Tier" shall mean any formal subset of new members classified by
4 similar benefit provisions.

5 B. Notwithstanding any provision of law to the contrary, new members shall
6 share the following costs equally with their employer:

7 (1) The normal cost of the new member's benefit, which shall include the
8 total monthly credit to the new member's defined contribution account.

9 (2) Any change in the new member's normal cost.

10 (3) The proportional share of the amortization cost for liability schedules
11 created on or after July 1, 2021.

12 C. For each tier, the dollar amount of costs provided for in Subsection B of
13 this Section shall be calculated each year by adding together the following:

14 (1) The normal cost for the new members in such tier computed at the
15 interest rate specified in R.S. 11:1399.5.

16 (2) That fiscal year's payment, computed as of the first of that fiscal year and
17 projected to the middle of that fiscal year at the interest rate specified in R.S.
18 11:1399.5 and using the amortization method specified in R.S. 11:102, 102.1, 102.2,
19 102.3, and 102.4, and this Section, necessary to amortize that portion of any
20 unfunded accrued liability created on or after July 1, 2020, that is attributable to
21 members in the tier.

22 (3) That fiscal year's payment, computed as of the first of that fiscal year and
23 projected to the middle of that fiscal year at the interest rate specified in R.S.
24 11:1399.5, necessary to amortize the prior year's over or underpayment of employee
25 contributions as a level dollar amount over a period of five years.

26 D. Employee contributions for each tier shall be calculated each year by
27 dividing one half of the dollar amount total from Subsection C of this Section by the
28 projected payroll of all new members in the tier.

1 §883.1. Experience account

2 * * *

3 C.(1) In accordance with the provisions of this Section, the board of trustees
4 may recommend to the president of the Senate and the speaker of the House of
5 Representatives that the system be permitted to grant a permanent benefit increase
6 to retirees who are not members of the hybrid plan and to ~~and~~ beneficiaries of such
7 members whenever the conditions in this Section are satisfied. The board of trustees
8 shall not grant a permanent benefit increase unless such permanent benefit increase
9 has been approved by the legislature.

10 (2) No member of the hybrid plan shall be eligible for a benefit adjustment
11 pursuant to the provisions of this Section nor shall any beneficiary who receives
12 benefits based on the death or disability of such a member be eligible for a benefit
13 adjustment pursuant to the provisions of this Section.

14 * * *

15 §927. Contributions

16 A. Regardless of the date of employment making him eligible for
17 membership in an applicable state retirement system, each ~~Each~~ participant shall
18 contribute monthly to the optional retirement plan the same amount which he would
19 be required to contribute to the Tier 1 regular retirement plan of the Teachers'
20 Retirement System of Louisiana if he were a member of that retirement plan.
21 Participant contributions may be made by employer pick-up in accordance with the
22 provisions of Section 414(h)(2) of the United States Internal Revenue Code or any
23 amendment thereto. The entirety of each participant's contribution, less any monthly
24 fee established by the board to cover the cost of administration and maintenance of
25 the optional retirement plan, shall be remitted to the appropriate designated company
26 or companies for application to the participant's contract or contracts.

27 B.

28 * * *

1 CHAPTER 7. HYBRID PLAN FOR PERSONS EMPLOYED BY A PUBLIC
2 POSTSECONDARY EDUCATION MANAGEMENT BOARD

3 §1399.1. Hybrid plan creation

4 A. There is hereby created a hybrid plan for person employed by a public
5 postsecondary education management board:

6 B. The provisions of the applicable system in effect on June 30, 2021,
7 including any special plans, shall be known as "Tier 1".

8 C. The defined contribution portion of the hybrid plan shall be administered
9 by the Department of the Treasury.

10 §1399.2. Definitions

11 The following terms shall have the following meanings, unless another
12 meaning is clearly required by context. Terms not otherwise defined shall have the
13 same meaning as in Tier 1.

14 (1) "Particularized unfunded accrued liability" shall mean liability applicable
15 to actuarial changes, gains, and losses, excluding experience and investment gains
16 and losses, first recognized in the June 30, 2021, valuation or in any later valuation,
17 attributable to one or more, but not all, plans in a system.

18 (2) "Shared unfunded accrued liability" shall mean liability applicable to all
19 plans in a system for actuarial changes, gains, and losses, including experience and
20 investment gains and losses, which are independent of the existence of the individual
21 plans within a system.

22 §1399.3. Hybrid plan membership

23 A. Persons who are employed by a public postsecondary education
24 management board whose first employment occurs on or after July 1, 2021, may
25 become members of the hybrid plan. Members in the hybrid plan shall participate
26 simultaneously in a defined benefit plan and in a defined contribution plan.

27 B. If a retired member of the hybrid plan returns to active service in a
28 position covered by the system from which he is receiving benefits, payment of his
29 defined benefit retirement shall cease during his period of reemployment. However,

1 such reemployment shall have no effect on payments received under the defined
2 contribution component of the plan.

3 §1399.4. Contributions and credits

4 A.(1) Each member shall contribute to the retirement system the amount
5 calculated pursuant to R.S. 11:102.7.

6 (2) Employer contributions to each retirement system shall be as provided
7 in R.S. 11:102 and 102.7.

8 B.(1) Each hybrid plan member's defined contribution account shall be
9 credited with an amount equal to ten percent of pay monthly.

10 (2) Every active member of the hybrid plan shall also accrue service credit
11 in the defined benefit portion of the plan each month as provided in R.S. 11:1399.5.

12 C.(1) With regards to the defined contribution portion of the hybrid plan,
13 upon receipt of employee and employer contributions, the system shall promptly
14 transfer to the Department of the Treasury an amount equal to one half of the normal
15 cost percentage calculated pursuant to R.S. 11:102.7, which shall be credited to the
16 employee's account.

17 (2) With regards to the defined benefit portion of the hybrid plan, the
18 remainder of the employee and employer contributions shall be applied to the
19 defined benefit normal cost and unfunded accrued liability costs as provided in R.S.
20 11:102.7.

21 §1399.5. Defined benefit portion

22 A.(1) Defined benefits in the plan shall accrue at one percent of the
23 member's average compensation for each year of creditable service in the plan.

24 (2) A member's accrued defined benefit shall not exceed one hundred percent
25 of his average compensation.

26 B. The interest rate used to value normal cost and accrued liabilities
27 attributable to the plan shall be six percent. The provisions of this Subsection shall
28 apply to particularized liabilities of the plan as well as to any portions of shared
29 unfunded accrued liability attributable to the hybrid plan.

1 C.(1) Upon retirement, a hybrid plan member shall receive a maximum
2 defined benefit retirement allowance from his retirement system that is equivalent
3 to the percentage of his average compensation accrued each year for his creditable
4 service in the plan pursuant to Paragraph (A)(1) of this Section multiplied by his
5 years of creditable service in the plan.

6 (2) Notwithstanding the provisions of Paragraph (1) of this Subsection, upon
7 retirement, a hybrid plan member may elect to receive his defined benefit in a
8 retirement allowance payable throughout his life or may elect to receive the actuarial
9 equivalent of his retirement allowance in a reduced retirement allowance payable
10 throughout life pursuant to any retirement option available to members of Tier 1 of
11 his system, including initial lump sum payment options.

12 (3) Notwithstanding the provisions of Paragraph (2) of this Subsection, no
13 member of the hybrid plan shall be eligible to participate in any deferred retirement
14 option plan or program or any similar retirement option that requires continued
15 employment for participation, nor shall such a member be eligible to participate in
16 any back-deferred retirement option plan or program.

17 §1399.6. Defined contribution portion

18 A.(1) Each member shall have a defined contribution plan account
19 maintained and administered by a qualified private provider as determined pursuant
20 to Subsection B of this Section.

21 (2) Each member may elect to contribute extra amounts to his defined
22 contribution account, up to applicable Internal Revenue Code limits on elective
23 deferrals.

24 B.(1) The Department of the Treasury shall select no more than three
25 companies from which contracts will be purchased for the provision of defined
26 contribution accounts for employees. In setting the criteria for this selection, the
27 Department of the Treasury shall consider, among other things, the following:

1 (a) The portability of the contracts offered or to be offered by the company,
2 based on the number of states in which the designated company provides contracts
3 under similar plans.

4 (b) The nature and extent of the rights and benefits to be provided by the
5 contracts for participating employees and their beneficiaries.

6 (c) The relation of the rights and benefits to the amount of the contributions
7 to be made pursuant to the provisions of this Chapter.

8 (d) The suitability of the rights and benefits to the needs and interests of
9 participating employees.

10 (e) The ability of the designated company or companies to provide the rights
11 and benefits under such contracts.

12 (2) The Department of the Treasury shall select from the funds offered by
13 each provider a minimum of ten and a maximum of twenty-five funds in a range of
14 risk and return profiles that will be offered to its members. At least one of the
15 investment options selected by the Department of the Treasury from each provider
16 shall be a fund with a guaranteed rate of return.

17 C. Upon retirement, a minimum of seventy-five percent of the value of the
18 member's account balance shall be annuitized by the company maintaining the
19 account. The member shall select the percentage of his account balance to be
20 annuitized. A member who does not elect to annuitize his entire account balance
21 may withdraw some or all of his remaining account balance as: one or more lump-
22 sum payments; a trustee-to-trustee, single-sum transfer between qualified plans; or
23 a payment made directly to an individual retirement account.

24 D. Upon death or retirement, whichever occurs first, a member with at least
25 five years of participation in the defined contribution plan shall have a vested right
26 to all employer contributions made to his account and to interest on the employee
27 and employer contributions. The rights of members terminating service prior to
28 retirement shall be as follows:

CODING: Words in ~~struck through~~ type are deletions from existing law; words underscored are additions.

1 (1) In the event of termination prior to attaining five years of participation
2 in the defined contribution plan, the member shall be entitled to a return of all
3 employee contributions, without interest thereon. All interest and employer
4 contributions shall be forfeited to the member's retirement system.

5 (2) In the event of termination after a member attains five years of
6 participation in the defined contribution plan but prior to retirement, the member
7 shall leave his account balance with the system and exercise the rights granted
8 pursuant to Subsection C of this Section upon attaining the first age at which he may
9 begin to draw an unreduced retirement benefit.

10 E. A member who has not terminated employment or retired may not
11 withdraw funds from his defined contribution account prior to retirement or borrow
12 against such funds.

13 F. Interest shall be credited on any balance in the member's account as long
14 as there is a balance in the account.

15 §1399.7. Retirement eligibility

16 A member of the hybrid plan shall be eligible for retirement if he has:

17 (1) Five years or more of service, at age sixty-five or thereafter.

18 (2) Twenty years of service credit at age fifty-five, exclusive of military
19 service and unused annual and sick leave, but any person retiring under this
20 Subparagraph shall have his defined benefit, inclusive of military service credit and
21 allowable unused annual and sick leave, actuarially reduced from the earliest age that
22 he would normally become eligible for a regular retirement benefit under
23 Subparagraph (a) of this Paragraph.

24 §1399.8. Disability and death benefits

25 A.(1) The defined benefit plan disability and death benefits shall be as
26 otherwise determined and provided in Tier 1; however, the accrual rate used to
27 calculate any such benefits shall not exceed the member's accrual rate in the hybrid
28 plan.

1 (2) If the hybrid plan member has not met the eligibility requirements for
2 survivors' benefits in the applicable Tier 1 plan, the system shall give his designated
3 beneficiary or his estate the option to receive the portion of the account balance the
4 member would otherwise have been entitled to as a lump-sum payment; a trustee-to-
5 trustee, single-sum transfer between qualified plans; or a payment made directly to
6 an individual retirement account.

7 B. A member receiving disability benefits based on defined benefit plan
8 provisions shall be entitled access to his defined contribution account as provided in
9 R.S. 11:1399.6(C), including interest on contributions as provided in R.S.
10 11:1399.6(D).

11 C. If distributed as death benefits, a deceased member's defined contribution
12 account shall be divided as follows:

13 (1) If there is a surviving spouse and no minor children, the spouse shall
14 have the same options with respect to the account balance that the member would
15 have had.

16 (2) If there is a surviving spouse and at least one minor child or child with
17 a disability, the surviving spouse shall receive an annuity based on one-half of the
18 account balance and the other half of the account balance shall be divided on a pro
19 rata basis between the remaining minor children and children with a disability and
20 annuitized.

21 (3) If there is no surviving spouse but there is at least one minor child or
22 child with a disability, the account shall be divided on a pro rata basis between the
23 minor children and children with a disability and annuitized.

24 D. If any disability retiree of the hybrid retirement plan who is under his
25 normal retirement age is restored to active service, his defined benefit retirement
26 allowance and ability to access his defined contribution account shall cease, he shall
27 again become a member of the retirement system, and he shall contribute thereafter
28 at the current rate in effect at the time he is restored to service, and if he contributes
29 for at least three years after restoration to active service, the period of time on

1 disability shall be counted as accredited service for purposes of establishing
2 retirement eligibility in the defined benefit portion of the plan, but not for
3 computation of benefits. Any prior service certificate on which his service was
4 computed at the time of his retirement shall be restored to full force and effect and,
5 in addition, upon his subsequent retirement he shall be credited with all his service
6 as a member. The remaining value of any annuity paid to the rehabilitated member
7 from his defined contribution account balance shall be converted back to a lump sum
8 and deposited into the member's defined contribution account. Contributions to the
9 defined contribution account shall resume and be added to the balance in the account
10 at the time of restoration to active service.

11 §1399.9. Cost-of-living adjustments on defined benefit

12 A.(1) Each qualifying retiree and beneficiary of a hybrid plan member shall
13 have the defined benefit portion of his benefit increased permanently on July first in
14 each odd-numbered calendar year. The amount of the increase shall be the lesser of:

15 (a) Two percent of the benefit amount.

16 (b) An amount equal to the consumer price index for all urban consumers for
17 the South as calculated by the United States Department of Labor, Bureau of Labor
18 Statistics, for the twelve-month period ending on the May thirtieth immediately
19 preceding the payment of the benefit increase.

20 (2) To be eligible for the permanent benefit increases provided in this
21 Subsection, a retiree:

22 (a) Shall have been separated from employment and receiving a benefit for
23 at least one year.

24 (b) Shall have attained his normal retirement age.

25 (3) A nonretiree survivor or beneficiary shall be eligible for the permanent
26 benefit increases provided in this Section:

27 (a) If the benefits have been received by the retiree or the beneficiary or both
28 combined for at least one year.

29 (b) If the retiree would have attained age sixty-five.

Present law establishes four state retirement systems – the La. State Employees' Retirement System, the Teachers' Retirement System of La., the La. School Employees' Retirement System, and the State Police Retirement System – and provides a defined benefit retirement plan for members of each system. Proposed law establishes an optional hybrid retirement plan (Hybrid Plan) – consisting of a combination of a defined benefit pension and a defined contribution (DC) account – for persons employed by a public postsecondary education management board whose first employment making them eligible for membership in a state system occurs on or after July 1, 2021 (hereafter referred to as "new members").

Cost Sharing

Present law establishes a fixed rate at which members must contribute to each state and statewide retirement system. Proposed law retains present law for those who are not new members. Further establishes a floating rate for new members based on an equal division of the cost of the plan for new members.

Present law establishes the formula by which employer contribution rates are calculated each year. Generally requires the employer to fund 100% of unfunded accrued liability (UAL) payments. Proposed law requires new members who opt into the Hybrid Plan to split equally the cost of their benefit accruals (the "Normal Cost") and the cost of any UAL attributable to their plan.

COLAs

Present law provides a mechanism for paying cost-of-living adjustments (COLAs) to retirees of state retirement systems using investment gains over and above certain pre-determined levels. Proposed law retains present law for those who are not new members. For new members who opt into the Hybrid Plan, proposed law establishes a pre-funded COLA mechanism, the cost of which is split between new members and employers. Upon retirement (or death), in every odd-numbered year, a qualifying new member or beneficiary of such will receive a COLA equal to the lesser of:

- (1) 2%.
- (2) The CPI-U for the South as calculated by the U.S. Dept. of Labor, Bureau of Labor Statistics, for the 12-month period ending on the May 30th immediately preceding the payment of the benefit increase.

Further provides that such COLA shall only be paid on the first \$50,000 of a retiree or beneficiary's benefit amount.

Proposed law establishes the following qualifications for a COLA:

- (1) Any retiree who has received a benefit for at least one year and who has attained at least his normal retirement age.
- (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 his normal retirement age.
- (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.

Regular Retirement Benefits*Defined Benefit Plan*

Present law provides a retirement benefit that combines average compensation with a percentage multiplier for each year of service. This calculation can be rendered as:

Accrual Rate x Years of Service x Average Compensation

Present law provides an accrual rate of average compensation for each year of a member's service. Proposed law retains present law for those who are not new members. Further establishes a 1% accrual rate for regular retirement benefit calculations for hybrid plan members.

Present law establishes a five-year vesting period for the right to a benefit from the defined benefit plan. Proposed law retains present law for all members, regardless of the date of hire.

DC Plan

Proposed law establishes a DC account for each new member who opts into the Hybrid Plan. Requires the Dept. of the Treasury (department) to select up to three third-party providers who will administer the DC accounts for new members. Establishes criteria for the department to use in evaluating potential third-party providers. Requires the department to select from the funds offered by each provider a minimum of 10 and a maximum of 25 fund options in a range of risk and return profiles that will be offered to new members in the DC plan. Requires at least one investment option to be a fund with a guaranteed rate of return.

Proposed law provides that new member DC accounts for TRSL shall be credited with 10% of pay each month.

Proposed law establishes a five-year vesting period for the right to employer contributions and interest credited to the new member's account. The new member's right to access interest on employee and employer contributions made to the DC account is triggered by the member's retirement (regular or disability) or death, whichever occurs first.

Proposed law provides that if a member terminates employment prior to attaining five years of participation in the DC plan, the employee is entitled to a return of all employee contributions, without interest. All interest and employer contributions will be forfeited to the system.

Proposed law further provides that if a member terminates employment after attaining five years of participation in the DC plan, but prior to retirement, he must leave his account balance with the third-party provider until the first age at which he may begin to draw an unreduced retirement benefit and may then exercise all options in proposed law for members who retire from the system.

Proposed law provides that upon retirement, a member must annuitize at least 75% of his DC account balance with the third-party provider. The member may choose the percentage of his account, up to 25%, that will not be annuitized. Any portion of the account that is not annuitized may be withdrawn in one or more lump-sum payments or rolled to another qualified retirement account, such as an IRA.

Proposed law prohibits a new member who has not terminated employment or retired from withdrawing funds from his DC account or borrowing against such funds.

Retirement Eligibility

Present law for TRSL provides that a member hired on or after July 1, 2015, is eligible for regular retirement if he has:

- (1) Five years of service at age 62 or thereafter.
- (2) 20 years of service at any age, actuarially reduced.

Proposed law provides that a Hybrid Plan member is eligible for regular retirement if he has:

- (1) Five years of service at age 65 or thereafter.
- (2) 20 years of service at age 55 or thereafter, actuarially reduced.

Disability & Death Benefits

Proposed law provides that disability and death benefits for new members shall be calculated as though the member had been hired prior to July 1, 2021 (Tier 1); however, restricts the accrual rate used in any such calculation to the Hybrid Plan rate applicable to the member.

Proposed law provides that if the new member did not meet the eligibility requirements for the applicable Tier 1 survivors benefits, his designated beneficiary or his estate shall receive the DC account balance the member would otherwise have been entitled to as a lump-sum or a transfer to another qualified retirement plan.

Proposed law provides that if a member does meet the Tier 1 survivor benefit qualifications, his DC account shall be divided as follows:

- (1) If there is a surviving spouse and at least one minor child or child with a disability, the surviving spouse shall receive an annuity based on one half of the account balance. The other half of the account balance shall be divided pro rata between the minor children and children with disabilities and annuitized.
- (2) If there is no surviving spouse but there is at least one minor child or child with a disability, the account shall be divided pro rata between the minor children and children with disabilities and annuitized.

Proposed law provides that a member receiving disability benefits from the defined benefit plan may access and annuitize his DC account, including employer contributions and all interest.

Proposed law provides that if a disability retiree who is under his normal retirement age is restored to active service, his disability benefit payments and access to the balance of his DC account shall cease. He shall resume contributions to the retirement system and if he continues in service for at least three years after restoration, the period of time spent on disability shall be counted toward normal retirement eligibility, but will not count towards calculation of benefits. Requires the remaining value of any annuity based on the DC account balance to be converted back into a lump sum and deposited into the member's account. Further provides that contributions to the member's DC account shall resume and be added to the balance in the account at the time he is restored to active service.

Applicability of Tier 1 Provisions

Proposed law provides that the provisions of Tier 1 that the member would have been

enrolled in but for his date of hire shall apply in any case where the provisions of the Hybrid Plan are silent.

(Amends R.S. 11:102(B)(1) and (3)(a), (D)(2)(a) and (b), (4), (5), and (6)(a), (b), and (c), 247(A)(1), (D), and (E), 883.1(C), and 927(A) and (B)(2)(a) and (b) and (3)(a)(i); Adds R.S. 11:62(14), 102(D)(3)(d), 102.7, and 1399.1-1399.11)