

2022 Regular Session

SENATE BILL NO. 438

BY SENATOR PRICE AND REPRESENTATIVE BACALA

STATE EMPLOYEE RET. Provides for a new retirement plan for certain new members.
(2/3 - CA10s29(F)) (gov sig)

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AN ACT

To amend and reenact R.S. 11:102(C)(3)(a), 471(A), 532(A)(1), 533(A)(1), 538, and 542(B)(2)(a) and to enact R.S. 11:102(C)(6)(e), 102.1(E), 471(G), 537(G) and (H), R.S. 24:36(N), and Part VIII of Chapter 1 of Subtitle II of Title 11 of the Revised Statutes of 1950, to be comprised of R.S. 11:641-658, relative to the Louisiana State Employees' Retirement System; to create a new retirement plan; to provide for contributions, credits, investments, eligibility, and benefits; to provide for an effective date; and to provide for related matters.

Notice of intention to introduce this Act has been published.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 11:102(C)(3)(a), 471(A), 532(A)(1), 533(A)(1), 538, and 542(B)(2)(a) are hereby enacted and R.S. 11:102(C)(6)(e), 102.1(E), 471(G), 537(G) and (H) and Part VIII of Chapter 1 of Subtitle II of Title 11 of the Revised Statutes of 1950, comprised of R.S. 11:641-658, are hereby enacted to read as follows:

§102. Employer contributions; determination; state systems

* * *

C. * * *

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

6 (a) Rank-and-file members of the system: who are:

7 **(i) Not members of the New Retirement Plan, R.S. 11:641 et seq.**

8 **(ii) Members of the New Retirement Plan, R.S. 11:641 et seq.**

9 * * *

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

13 * * *

14 **(e) The particularized defined contribution rate. The defined**
15 **contribution rate shall be the employer's contribution rate required to fund a**
16 **plan's defined contribution component, if any.**

17 * * *

18 §102.1. Amortization payment schedules; priority excess return allocations;
19 Louisiana State Employees' Retirement System

20 * * *

21 **E. No calculation or determination required by the provisions of this**
22 **Section shall include assets in the following accounts:**

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

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

27 **(3) The defined contribution component accounts of members of the New**
28 **Retirement Plan, R.S. 11:641 et seq.**

29 * * *

1 §471. Survivors' benefits; members hired on or before December 31, 2010;

2 **members of the New Retirement Plan**

3 A. Surviving minor children. Benefits for the surviving children of members
4 ~~whose first employment making them eligible for membership in one of the state~~
5 ~~systems occurred on or before December 31, 2010, **to whom this Section applies**~~
6 shall be calculated as set forth in this Section. The benefit or benefits shall be based
7 on the average compensation of the member. A benefit shall be payable to surviving
8 unmarried minor children of a member who had at least five years of creditable
9 service, at least two years of which was earned immediately prior to death, and was
10 in state service at the time of death or had twenty years or more of service credit
11 regardless of when earned and whether the deceased member was in the state service
12 at the time of death.

13 * * *

14 **G. The provisions of this Section shall apply to members whose first**
15 **employment making them eligible for membership in one of the state systems**
16 **occurred on or before December 31, 2010, and to members of the New**
17 **Retirement Plan, R.S. 11:641 et seq.**

18 * * *

19 §532. Employees' Savings Account

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

21 ~~+(1) Employee contributions, **excluding those contributions credited to a**~~
22 **member's defined contribution component account in accordance with R.S.**
23 **11:648.**

24 * * *

25 §533. Employers' Accumulation Account

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

27 ~~+(1) Employer contributions, **excluding those contributions credited to a**~~
28 **member's defined contribution component account in accordance with R.S.**
29 **11:648.**

* * *

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

* * *

G. Notwithstanding any other provision of this Section to the contrary, no member of the New Retirement Plan, R.S. 11:641 et seq., shall be allowed to repay any distribution made from his defined contribution component account.

H. Any member of the New Retirement Plan, R.S. 11:641 et seq., who requests a refund of contributions pursuant to this Section shall be required to also request a distribution of his defined contribution component account in accordance with R.S. 11:652.

* * *

§538. Termination of contributions; benefits

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

B. ~~When~~ Except as provided in Subsection C of this Section, when a member has earned benefits equal to one hundred percent of his average compensation, no further contributions shall be required of him. The State shall continue to pay to the system the employer's contribution.

C. When a member has earned benefits under the defined benefit component of the New Retirement Plan, R.S. 11:641 et seq., equal to one hundred percent of his average compensation, he may elect to make no further contributions. If a member elects to cease contributions, his average compensation shall be frozen as of the date of election and no further increases to salary shall be utilized for calculation of his average compensation. The employer shall continue to pay to the system the employer contributions, including the three percent employer contribution to be credited to the member's defined contribution component account pursuant to R.S. 11:102(C)(6)(e) and R.S. 11:648(A)(1).

1 * * *

2 §542. Experience account

3 * * *

4 B. * * *

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

6 (a) To the extent permitted by Subparagraph (c) of this Paragraph and after
7 allocation to the amortization bases as provided in R.S. 11:102.1, an amount not to
8 exceed fifty percent of the remaining balance of the prior year's net investment
9 experience gain as determined by the system's actuary **pursuant to R.S. 11:102.1**
10 **multiplied by a fraction. The numerator of the fraction shall be the total**
11 **actuarial accrued liability of all defined benefit plans in the system less the total**
12 **actuarial accrued liability of the defined benefit component of the New**
13 **Retirement Plan provided for in R.S. 11:641 et seq. The denominator of the**
14 **fraction shall be the total actuarial accrued liability of all defined benefit plans**
15 **in the system.**

16 * * *

17 **PART VIII. NEW RETIREMENT PLAN**

18 **§641. Creation of New Retirement Plan**

19 **A. The New Retirement Plan is created within the Louisiana State**
20 **Employees' Retirement System for persons whose first employment making**
21 **them eligible for membership in the system occurred on or after January 1,**
22 **2024, except those persons who are eligible to be members of the Hazardous**
23 **Duty Services Plan, R.S. 11:611 et seq., or judges holding positions specified in**
24 **R.S. 11:553(1), (3) through (5), (7), and (10) through (15).**

25 **B. Any other provisions of this Chapter or any other laws to the**
26 **contrary notwithstanding, the retirement of members of the New Retirement**
27 **Plan shall be governed by the provisions of this Part; however, if provisions of**
28 **this Chapter cover matters not specifically addressed by the provisions of this**
29 **Part or if any of the provisions of this Chapter are made applicable in this Part,**

1 then those provisions shall apply to members governed by this Part.

2 §642. Application; definitions

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

6 (1) "Average compensation" means the average annual earned
7 compensation of a member for the sixty highest months of successive
8 employment, or for the highest sixty successive joined months of employment
9 where interruption of service occurred; however, average compensation for
10 part-time employees who do not use sixty months of full-time employment for
11 average compensation purposes shall be based on the base pay the part-time
12 employee would have received had he been employed on a full-time basis. The
13 earnings to be considered for the thirteenth through the twenty-fourth month
14 shall not exceed one hundred fifteen percent of the earnings of the first through
15 the twelfth month. The earnings to be considered for the twenty-fifth through
16 the thirty-sixth month shall not exceed one hundred fifteen percent of the
17 earnings of the thirteenth through the twenty-fourth month. The earnings to
18 be considered for the thirty-seventh through the forty-eighth month shall not
19 exceed one hundred fifteen percent of the earnings of the twenty-fifth through
20 the thirty-sixth month. The earnings for the final twelve months shall not
21 exceed one hundred fifteen percent of the earnings of the thirty-seventh through
22 the forty-eighth month. The limitations on the computation of average
23 compensation contained in this Paragraph shall not apply to any twelve-month
24 period during which compensation increased by more than fifteen percent over
25 the previous twelve-month period solely because of an increase in compensation
26 by a uniform system-wide increase adopted by the state Department of Civil
27 Service and approved by the governor or because of a pay adjustment enacted
28 by the legislature.

29 (2) "Defined benefit component" means the portion of the New Plan that

1 provides a defined benefit plan, which has a benefit structure as set forth in this
2 Part.

3 (3) "Defined contribution component" means the portion of the New
4 Plan that provides a defined contribution plan, which has a benefit structure as
5 set forth in this Part.

6 (4) "Member" means any person whose first employment making him
7 eligible for membership in the system occurred on or after January 1, 2024,
8 except a person who is eligible to be a member of the Hazardous Duty Services
9 Plan provided for R.S. 11:611 et seq. and a judge holding a position specified in
10 R.S. 11:553(1), (3) through (5), (7), or (10) through (15).

11 (5) "New Plan" or "Plan" means the New Retirement Plan created by
12 this Part.

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

14 (7) "Vested balance" means all contributions made by the member and
15 that portion of the employer contributions, earnings, and investment
16 appreciation or depreciation to which the member is entitled pursuant to R.S.
17 11:648(E).

18 §643. Eligibility for plan membership

19 Each person who becomes an employee in state service whose first
20 employment making him eligible for membership in the system occurred on or
21 after January 1, 2024, who is not a member of the Hazardous Duty Services
22 Plan provided for in R.S. 11:611 et seq. and who is not a judge holding a
23 position provided in R.S. 11:553(1), (3) through (5), (7), or (10) through (15),
24 shall become a member of the New Retirement Plan of the system as a condition
25 of employment.

26 §644. Eligibility for retirement; benefit options

27 A. A member of the Plan shall be eligible for retirement if he has:

28 (1) Five years or more of service credit at age sixty-two.

29 (2) Twenty years of service credit at any age, exclusive of military service

1 and unused annual and sick leave, but any person retiring under this Paragraph
2 shall have his benefit, inclusive of military service credit and allowable unused
3 annual and sick leave, actuarially reduced from the earliest age that he would
4 normally become eligible for a regular retirement benefit under Paragraph (1)
5 of this Subsection if he had continued in service to that age.

6 B. The retirement allowance or benefit, which shall include the benefit
7 from the defined benefit component pursuant to R.S. 11:645 and the defined
8 contribution component pursuant to R.S. 11:650, shall be paid in equal monthly
9 installments for life and shall not be increased, decreased, revoked, or repealed
10 except for error or as otherwise specifically provided by law.

11 C. Mode of payment where option elected. (1) Except as otherwise
12 provided in R.S. 11:655, a member may elect to receive his benefit in a
13 retirement allowance payable throughout his life, or he may elect to receive the
14 actuarial equivalent of his retirement allowance in a reduced retirement
15 allowance payable throughout life pursuant to R.S. 11:446.

16 (2) The retirement plan option and beneficiary selected by the member
17 shall apply to both the defined benefit and defined contribution components.

18 (3) Initial Benefit Option. (a) The initial benefit option provided in this
19 Paragraph is available to a member of the Plan who selects the maximum
20 benefit or one of the options in R.S. 11:446(A)(2), (3), or (4).

21 (b) If a member selects the initial benefit option provided in this
22 Paragraph, the member may receive an initial benefit plus a reduced monthly
23 retirement allowance, provided the initial benefit together with the reduced
24 monthly retirement allowance shall be actuarially equivalent to his maximum
25 retirement allowance.

26 (c) The amount of the initial benefit, as determined by the member, shall
27 not exceed an amount equal to twelve payments of the member's maximum
28 retirement allowance.

29 (d) The initial benefit shall, at the option of the member, be paid as a

1 lump-sum payment; a trustee-to-trustee, single-sum transfer between qualified
2 plans; a payment made directly to a conduit individual retirement account; or
3 systematic disbursements in any manner approved by the board.

4 (e) The monthly retirement benefit received by the retiree and the
5 beneficiary or survivor shall be based on the amount otherwise payable under
6 the retirement option selected that is actuarially reduced by an amount
7 calculated to offset the cost of the initial benefit.

8 (f) If a change in option selection is allowed under the provisions of R.S.
9 11:446(D) or (E), the monthly benefit payable under those provisions shall be
10 actuarially reduced in accordance with the provisions of this Paragraph.

11 (g) A person who retires under the provisions of disability retirement
12 may not select the initial benefit option.

13 (h) Cost-of-living adjustments granted pursuant to R.S. 11:651 to retirees
14 who select the initial benefit option shall be computed on the basis of each
15 retiree's regular monthly retirement benefit or on the basis of each beneficiary's
16 or survivor's benefit based on the option selected as reduced and shall not be
17 computed on the initial benefit.

18 §645. Defined benefit component benefit calculation

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

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

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

28 §646. Disability retirement

29 A. The disability retirement provisions provided for in R.S. 11:461

1 through 463 shall be applicable to the defined benefit component of the Plan.

2 B. (1) Upon approval of a member's disability retirement, contributions
3 to the member's defined contribution component account shall cease and no
4 disbursements shall be made therefrom until the member reaches the regular
5 age of retirement as provided in R.S. 11:644 or converts to regular retirement
6 pursuant to R.S. 11:221, whichever occurs first.

7 (2) Upon reaching regular retirement age or converting to regular
8 retirement, the member shall be entitled to receive an annuity in accordance
9 with R.S. 11:650.

10 §647. Survivors' benefits

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

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

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

22 (2) If the member's spouse is the named beneficiary of the defined
23 contribution component account, then the spouse may elect to annuitize any
24 vested portion of the member's defined contribution component account
25 balance. The system shall annuitize the requested portion of the account in
26 accordance with R.S. 11:650(B), and the annuitized portion shall be included as
27 part of the survivor benefit payable to the spouse. Any unannuitized vested
28 balance shall be payable as provided in Paragraph (1) of this Subsection.

29 (3) Any nonvested balance in the member's defined contribution

1 component account shall revert to the defined benefit component of the Plan.

2 §648. Defined contribution component account

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

6 (1) A three percent employer contribution as provided in R.S.
7 11:102(C)(6).

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

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

13 (3) Members shall be prohibited from making additional voluntary
14 contributions to their defined contribution component accounts. No funds shall
15 be transferred into any member's defined contribution component accounts
16 from outside of the system.

17 B. All monies in the defined contribution component accounts shall
18 remain a part of the system fund regardless of the investment option chosen by
19 the member until the monies are distributed in accordance with the provisions
20 of the Plan.

21 C. (1)(a) The system is authorized to hire a third-party provider in
22 accordance with R.S. 11:649, who shall be an agent of the system for purposes
23 of offering members access to investment products, which products shall
24 include the investment options provided in Paragraph (3) of this Subsection.

25 (b) The third-party provider shall be authorized to charge administrative
26 fees for the management of the member's defined contribution component
27 account.

28 (2)(a) The default investment option for the member's defined
29 contribution component account shall be the stable value fund offered through

1 the third-party provider pursuant in this Subsection.

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

4 (i) Shall expressly waive his rights set forth in Article X, Section 29 of the
5 Louisiana Constitution relative to his defined contribution component account.

6 (ii) Shall agree that he and the provider shall be responsible for
7 complying with all applicable provisions of the Internal Revenue Code, and if
8 any violation of that Code occurs as a result of the member's investment
9 choices, it will be the responsibility and liability of the member and the provider
10 and not the system.

11 (iii) Shall agree that any returns are the sole responsibility of the
12 member. There shall be no liability on the part of, and no cause of action of any
13 nature shall arise against, the state or the system or any agent or employee of
14 the state or system as a result of any negative consequences resulting from any
15 action taken by the member with regard to his investment decisions.

16 (3) Except as provided in Paragraph (2) of this Subsection, a member's
17 defined contribution component account shall be invested based on the
18 member's investment allocation choices. A member shall choose among, at a
19 minimum, the following investment options:

20 (a) A stable value fund.

21 (b) Target date funds.

22 (c) Self-directed brokerage accounts managed by the third-party
23 provider.

24 (4) A member may change the allocation among the offered investment
25 options at any time.

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

29 (2) A member's defined contribution component account shall be debited

1 as follows:

2 (a) An amount sufficient to cover any fees charged pursuant to
3 Subparagraph (C)(1)(b) of this Section.

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

6 E. All contributions made by the member are immediately vested. All
7 employer-contributed amounts and all applicable earnings and investment
8 appreciation or depreciation shall become vested based on the number of
9 months the member has contributed to the defined contribution component
10 increases in 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>

16 §649. Selection of provider

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

22 (1) The tax status of the products.

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

25 (3) The ability of the designated provider to provide the rights and
26 benefits under the products.

27 §650. Defined contribution component benefit calculation

28 A. Upon application for retirement a member shall be entitled to receive
29 an annuity based upon the vested balance of his defined contribution component

1 account.

2 B. The system shall annuitize the defined contribution component
3 account balance using a discount rate of five and one-quarter percent. The
4 actuarial assumptions used by the system shall account for the cost-of-living
5 increases provided for in R.S. 11:651.

6 §651. Cost-of-living adjustments

7 A. Each eligible retiree shall receive a two percent cost-of-living
8 adjustment (COLA), payable on July first of every odd-numbered year.

9 B. The COLA shall be based on the monthly benefit being paid pursuant
10 to R.S. 11:644 on the effective date of the increase, excluding any portion of the
11 benefit to which R.S. 11:645(B) applies.

12 C. In order to be eligible for the COLA, on June thirtieth of the year in
13 which the increase is to be paid, the retiree:

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

15 (2) Shall have attained at least age sixty-two.

16 D. A nonretiree beneficiary shall be eligible for the increase provided for
17 in this Section if, on June thirtieth of the year in which the increase is to be paid,
18 the following conditions apply:

19 (1) Benefits had been paid to the retiree or the beneficiary, or both
20 combined, for at least one year.

21 (2) In no event before the member or retiree would have attained age
22 sixty-two.

23 E. A disability retiree or beneficiary who receives benefits based on the
24 death of a disability retiree shall be eligible to receive the increase provided for
25 in this Section if, on June thirtieth of the year in which the increase is to be paid,
26 benefits have been paid to the retiree, the beneficiary, or both combined, for at
27 least one year.

28 F. The COLA provided for in this Section shall be accounted for when
29 calculating the actuarial cost of any purchase of service or any transfer of

1 service from any other public retirement or pension system, fund, or plan into
2 the system.

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

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

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

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

17 **B. Acceptance of a distribution automatically cancels all rights in the**
18 **defined contribution component of the Plan and the member forfeits any**
19 **nonvested balance in his defined contribution component account. The**
20 **nonvested balance shall revert to the defined benefit component of the Plan.**

21 **C. Any member who requests a distribution pursuant to this Section**
22 **shall be required to request a refund of his accumulated contributions in**
23 **accordance with R.S. 11:537.**

24 **§653. Members of the Hazardous Duty Services Plan**

25 **A. Any member of the Hazardous Duty Services Plan, R.S. 11:611 et**
26 **seq., whose first employment making him eligible for membership in this system**
27 **occurred on or after January 1, 2024, and who becomes employed in a position**
28 **that makes him ineligible for membership in the Hazardous Duty Services Plan**
29 **shall become a member of the Plan.**

1 **B. The following shall apply to any former member of the Hazardous**
2 **Duty Services Plan who becomes a member of the New Retirement Plan:**

3 **(1) The member shall maintain his prior service credit in the existing**
4 **plan and shall accrue service credit and benefits in the New Retirement Plan**
5 **from the date he joins the Plan. Benefits for the service credit in the existing**
6 **plan shall be calculated pursuant to R.S. 11:645(B).**

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

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

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

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

28 **(3) The provisions of R.S. 11:655 shall be applicable to the Hazardous**
29 **Duty Services Plan member's defined contribution component benefit.**

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

3 E. The provisions of this Part shall not be applicable to any defined
4 benefit component service credit for which the member receives a benefit under
5 the provisions of the Hazardous Duty Services Plan, R.S. 11:611 et seq.
6 However, the provisions of R.S. 11:644(A) shall be used to determine the accrual
7 rate applicable to such service.

8 §654. Judges

9 A. Any judge holding a position specified in R.S. 11:553(1), (3) through
10 (5), (7), or (10) through (15) whose first employment making him eligible for
11 membership in the system occurred on or after January 1, 2024, and who
12 becomes employed in a position that is not specified in R.S. 11:553(1), (3)
13 through (5), (7), or (10) through (15) shall become a member of the Plan.

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

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

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

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

1 (3) The provisions of R.S. 11:655 shall be applicable to the defined
2 contribution component benefit.

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

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

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

16 §655. Applicability of other provisions

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

19 (1) Purchase of service pursuant to R.S. 11:429.

20 (2) The Deferred Retirement Option Plan provided for in R.S. 11:447 et
21 seq.

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

23 (4) The Annual Cost-of-Living Adjustment Option provided for in R.S.
24 11:247 and 446(A)(6).

25 (5) The increases provided for in R.S. 11:542, except that members shall
26 be eligible for such increases on any portion of the benefit received pursuant to
27 R.S. 11:645(B).

28 (6) The employment of retirees as provided for in R.S. 11:416. A retiree
29 who retires under the provisions of the Plan and who subsequently engages in

1 employment which otherwise would render him eligible for membership in the
2 system shall not be eligible for membership and shall not rejoin the system.

3 There shall be no effect on the retiree's benefit.

4 §656. Transfers of service; reciprocal recognition of service

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

12 B. Members of the Plan may transfer service from another system, plan,
13 or fund into the defined benefit component of the Plan in accordance with R.S.
14 11:143.

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

17 §657. Automatic enrollment and withdrawal option

18 A. Each person who is eligible for membership pursuant to R.S. 11:643
19 shall be automatically enrolled in the Plan and shall have two years from the
20 date of enrollment to withdraw from the Plan.

21 B. The election to withdraw from the Plan shall be irrevocable.

22 C. Each member who chooses to withdraw in accordance with the
23 provisions of this Section shall become a member of the defined benefit plan and
24 eligible for retirement pursuant to the plan provisions applicable on the date he
25 became a member of the Plan.

26 D. All monies contributed to the Plan by or on behalf of the member
27 together with any earnings attributable to those contributions shall be
28 transferred to the defined benefit plan.

29 E. The member shall receive service credit for the time he participated

1 in the Plan as calculated by the system actuary. Any deficiency in the amounts
2 due shall be paid by the member. No service shall be credited to the member
3 until the system has received the total amount due.

4 F. Notice shall be provided to members of the Plan relative to the
5 withdrawal option provided by this Section.

6 (1) The system shall issue notice to the member at enrollment and on the
7 member's annual statement during the period specified by this Section.

8 (2) (a) The member's employing agency shall issue notice to the member
9 on or about the date marking the end of the member's first eighteen months of
10 enrollment.

11 (b) Failure on the part of the agency to provide notice in accordance with
12 this Subsection shall not be construed to grant a member the option to withdraw
13 from the Plan after two years of enrollment.

14 §658. Member education

15 A. The board of trustees of the system shall provide members of the Plan
16 with educational materials regarding investment options. The education shall
17 include, but need not be limited to, available investment options.

18 B.(1) Each member of the Plan shall complete a minimum of one hour
19 of education and training within his first year of enrollment.

20 (2) The education and training required pursuant to this Section may be
21 received either in person or via the internet through training and education
22 materials provided by the system.

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

24 §36. Additional benefits payable to legislators; certain legislative personnel;
25 governor; lieutenant governor; political subdivision service credit;
26 credit for service previously rendered; additional contributions;
27 computation of benefits payable; membership

28 * * *

29 N. The provisions of this Section shall not apply to any person whose first

1 employment making him eligible for membership in the Louisiana State
2 Employees' Retirement System began on or after January 1, 2024.

3 Section 3. The cost of this Act, if any, shall be funded through additional employer
4 contributions in compliance with Article X, Section 29(F) of the Constitution of Louisiana.

5 Section 4. This Act shall become effective upon signature by the governor or, if not
6 signed by the governor, upon expiration of the time for bills to become law without signature
7 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
8 vetoed by the governor and subsequently approved by the legislature, this Act shall become
9 effective on the day following such approval.

The original instrument and the following digest, which constitutes no part
of the legislative instrument, were prepared by LG Sullivan.

DIGEST

SB 438 Original

2022 Regular Session

Price

Present law, for any new rank-and-file state employee, requires La. State Employees' Retirement System (LASERS) membership in a defined benefit (DB) plan known as the "Regular Employee 4 Plan" (Regular 4) as a condition of employment. Provides for retirement, disability, and survivor benefits subject to certain conditions.

Proposed law provides automatic enrollment in a New Retirement Plan (New Plan) for rank-and-file state employees hired on or after Jan. 1, 2024, with a defined contribution (DC) component and a DB component. Allows the employee to make an irrevocable election to transfer from the New Plan to the LASERS DB plan within the first two years of enrollment in the New Plan.

Present law requires employee contributions of 8% of pay. Provides for retirement with five years of service at age 62 without benefit reduction or with 20 years at any age with an actuarially reduced benefit. Requires employer contributions to be actuarially determined.

Proposed law generally retains present law. Provides for employee's 8% New Plan contribution to be allocated, 4% to the DB plan and 4% to the DC component. Requires actuarial determination of employer contributions to include a 3% contribution to the DC component.

Present law provides for the Regular 4 retirement benefit to be calculated as a percentage of "final average compensation" (FAC). FAC is based on earnings in the 60-month period during which average earnings were the highest. Provides for a benefit calculation formula of 2.5% x years of service credit x FAC.

Proposed law generally retains present law and provides for a benefit calculation formula of 1.8% x years of service credit x FAC.

Proposed law provides for automatic 2% cost-of-living adjustments in every odd-numbered year, payable on the monthly benefit being received.

Proposed law provides a DC account. Allows the LASERS board to select providers. Requires certain investment choices to be available to the member for investment of account

funds. Provides a schedule for vesting of the funds in the account in excess of the member's employee contributions. Allows the member to receive a distribution of the account balance if he separates from service. Provides for the balance to be annuitized upon retirement.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 11:102(C)(3)(a), 471(A), 532(A)(1), 533(A)(1), 538, and 542(B)(2)(a); adds R.S. 11:102(C)(6)(e), 102.1(E), 471(G), 537(G) and (H), and 641-658 and R.S. 24:36(N))