Regular Session, 2014

SENATE BILL NO. 19

BY SENATORS GUILLORY, KOSTELKA, GARY SMITH, JOHN SMITH AND WALSWORTH AND REPRESENTATIVES HENRY BURNS, BURRELL, GUILLORY, HAZEL, HILL, PRICE AND RICHARD

SCHOOL EMPLOYEES RET. Grants a permanent benefit increase to eligible retirees in accordance with statutory procedure. (2/3 - CA10s29(F)) (6/30/14)

AN ACT

To grant a permanent benefit increase to retirees and beneficiaries of the Louisiana School Employees' Retirement System in conformity with the statutory provisions governing the system's experience account.

Notice of intention to introduce this Act has been published.

Be it enacted by the Legislature of Louisiana:

Section 1. The legislature finds that the experience account of the Louisiana School Employees' Retirement System was created for the purpose of accumulating money sufficient to provide actuarial funding of permanent post-retirement benefit increases for certain retirees and beneficiaries of the system. The legislature further finds that the experience account is credited with a portion of the system's investment gain in excess of certain thresholds and with interest on funds in the account; provided, however, that the amount in the experience account shall in no event exceed the reserve necessary to grant two permanent benefit increases.

Section 2. The legislature finds that permanent benefit increases funded by the experience account monies are payable to regular retirees who have been retired for at least one year and who have attained the age of sixty years; to disability retirees who have been retired at least one year regardless of age; to beneficiaries of retirees who would have met the applicable criteria to receive the increase if they had survived; and to non-retiree beneficiaries who have been receiving benefits for at least a year and whose benefits are derived from service of deceased members who would have attained age sixty. The legislature further finds that any increase payable in 2014 shall be calculated on the first ninety-four thousand three hundred thirteen dollars of a retirement benefit only.

Section 3. The legislature finds that, in accordance with the provisions of R.S. 11:1145.1, the board of trustees of the Louisiana School Employees' Retirement System has recommended to the president of the Senate and the speaker of the House of Representatives that the legislature grant a permanent benefit increase to the eligible retirees and beneficiaries of the system in accordance with the provisions of R.S. 11:1145.1 and Article X, Section 29(F) of the Constitution of Louisiana.

Section 4. The legislature finds that the recommendation presented to the presiding officers of this body contained a recitation of the statutorily-required conditions and specification of the satisfaction of each as follows:

(A) The Louisiana School Employees' Retirement System earned an actuarial rate of return of twelve and four one-hundredths percent which exceeded the board-approved actuarial valuation rate of seven and one-half percent on June 30, 2013.

(B) For any year in which the system's rate of return is at least seven and one-half percent, R.S. 11:1145.1(C) provides that a permanent benefit increase shall not exceed the lesser of three percent or the increase in the consumer price index, U.S. city average for all urban consumers, as prepared by the U.S. Department of Labor, Bureau of Labor Statistics, for the calendar year immediately preceding the increase.

(C) The system actuary has determined that the actuarial liability created by providing a permanent benefit increase of one percent is approximately ten million six hundred forty thousand dollars. The system actuary computed the balance in the experience account to be over thirty-one million dollars, an amount sufficient to fund a benefit increase up to two and nine-tenths percent on an actuarial basis.

Section 5. The legislative auditor has confirmed that the legislative auditor's actuary is in the process of determining whether he agrees with the determinations of the system actuary.

Section 6. The consumer price index, U.S. city average for all urban consumers, as prepared by the U.S. Department of Labor, Bureau of Labor Statistics, for the 2013 calendar year, released January 16, 2014, was determined to be one and one-half of one percent.

Section 7. Contingent upon satisfaction of all necessary conditions contained in R.S. 1145.1, the first ninety-four thousand three hundred thirteen dollars of the current benefit of each retiree and beneficiary of the Louisiana School Employees' Retirement System who meets the eligibility criteria contained in the statute and recited herein shall be increased by the applicable 2013 consumer price index of one and one-half of one percent effective July 1, 2014.

Section 8. This Act shall become effective on June 30, 2014; if vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on June 30, 2014, 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

Guillory (SB 19)

<u>Present law</u>, relative to the Louisiana School Employees' Retirement System (LSERS), provides for the accumulation of certain system funds in an "experience account". Provides for utilization of these funds for benefit increases, commonly called "cost-of-living adjustments" (COLAs), for retirees, survivors, and beneficiaries of the system. Provides for determination of eligibility for and the amount of an increase paid with these funds.

<u>Present law</u> provides for notification of the legislature by the LSERS board of trustees that the conditions for granting a COLA contained in <u>present law</u> have been met.

<u>Present law</u> requires the legislature to approve any COLA.

<u>Proposed law</u> retains <u>present law</u> and approves a COLA to be paid July 1, 2014, pursuant to the provisions of <u>present law</u>.

Effective June 30, 2014.