

Regular Session, 2014

SENATE BILL NO. 20

BY SENATOR GUILLORY

TEACHERS RETIREMENT. Provides for compliance with federal tax qualification standards. (7/1/14)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17

AN ACT

To amend and reenact R.S. 11:701(10), (11), (12), (24), and (33)(a)(i), (ii)(aa), and (xiii) and (b)(i), 702(A) and (B), 723(A)(1), 781(B), 784(A), (C)(2), and (F), 784.1(A), (B), (C), and (D), 785.1(A) and (C), 792(A), (B), (C), and (D), and 826, to enact R.S. 11:701(14.1), (22.1), and (33)(a)(xiv) and 781(C), and to repeal R.S. 11:723(B), relative to the Teachers' Retirement System of Louisiana; to provide with respect to the tax qualification of the system; to make changes to the plan's provisions in conformity with federal requirements; 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. 11:701(10), (11), (12), (24), and (33)(a)(i), (ii)(aa), and (xiii) and (b)(i), 702(A) and (B), 723(A)(1), 781(B), 784(A), (C)(2), and (F), 784.1(A), (B), (C), and (D), 785.1(A) and (C), 792(A), (B), (C), and (D), and 826 are hereby amended and reenacted and R.S. 11:701(14.1), (22.1), and (33)(a)(xiv) and 781(C) are hereby enacted to read as follows:

§701. Definitions

1 As used in this Chapter, the following words and phrases have the meanings
2 ascribed to them in this Section unless a different meaning is plainly required by the
3 context:

4 * * *

5 (10) "Earnable compensation" means the compensation earned by a member
6 during the full normal working time as a teacher. Earnable compensation shall
7 include any differential wage payment as defined by 26 U.S.C. 3401(h)(2) that is
8 made by an employer to any individual performing qualified military service.
9 Earnable compensation shall not include per diem, post allowances, payment in kind,
10 hazardous duty pay, or any other allowance for expense authorized and incurred as
11 an incident to employment, nor payments in lieu of unused sick or annual leave, nor
12 retroactive salary increases unless such an increase was granted by legislative Act
13 or by a ~~city-parish~~ **city or parish** systemwide salary increase, nor payment for
14 discontinuation of contractual services, unless the payment is made on a monthly
15 basis. If a member is granted an official leave and he makes contributions for the
16 period of leave, earnable compensation shall not include compensation paid for other
17 employment which would not have been possible without the leave. The board of
18 trustees shall determine whether or not any other payments are to be classified as
19 earnable compensation.

20 (11) "Employer" means the State **state** of Louisiana, ~~the any city, parish, or~~
21 **other local** school board, ~~the city school board,~~ the State Board of **Elementary and**
22 **Secondary** Education, ~~the board of supervisors of the Louisiana State University any~~
23 **board created by Article VIII of the Constitution of Louisiana,** or any other
24 agency of and within the State **or a political subdivision** by which a teacher is paid.

25 (12) "Eligible rollover distribution" means ~~the distribution of all or any~~
26 ~~portion of the balance to the credit of a member from a qualified plan. However, an~~
27 ~~eligible rollover distribution shall not include any of the following distributions:~~

28 (a) ~~One that is a series of substantially equal periodic payments, made not~~
29 ~~less frequently than annually, for the life, or life expectancy of the member or the~~

1 joint lives, or joint life expectancies of the member and the member's designated
2 beneficiary.

3 (b) ~~One that is for a specified period of ten years or more.~~

4 (c) ~~One that is required by the provisions of Section 401(a)(9) of the United~~
5 ~~States Internal Revenue Code.~~ **a distribution as defined in R.S. 11:792(B).**

6 * * *

7 **(14.1) "Internal Revenue Code" means the United States Internal**
8 **Revenue Code of 1986, as amended.**

9 * * *

10 **(22.1) "Plan Year" means the fiscal year.**

11 * * *

12 (24) "Public School" means any ~~day~~ school conducted within the state under
13 the authority and supervision of a **city, parish, or city other local** school board and
14 any educational institution supported by and under the control of the state.

15 * * *

16 (33)(a) "Teacher", except as provided in Subparagraph (b) of this Paragraph,
17 shall mean any of the following:

18 (i) Any employee of a city, ~~or parish,~~ **or other local** school board, **any** parish,
19 ~~or city,~~ **or other local** superintendent, or **any** assistant superintendent of public
20 schools.

21 (ii)(aa) Any president, vice president, dean, teacher, guidance counselor, or
22 unclassified employee at any state college or university or any vocational-technical
23 school or institution or special school under the control of the State Board of
24 Elementary and Secondary Education, or any educational institution supported by
25 and under the control of the state or any **city, parish, or other local** school board.

26 * * *

27 (xiii) **Any person who has retained membership in the system pursuant**
28 **to R.S. 11:723.**

29 (xiv) In all cases of doubt, the board of trustees shall determine whether any

1 person is a teacher within the scope of the definition set forth in this Paragraph.

2 (b) "Teacher" shall not include any of the following:

3 (i) Any employee of a city, ~~or~~ parish, **or other local** school board who is
4 employed as a school bus driver, school janitor, school custodian, ~~or a~~ school
5 maintenance employee, school bus aide, monitor, ~~or~~ attendant, or anyone who
6 actually works on a school bus helping with the transportation of school children.

7 * * *

8 §702. Name and establishment of retirement system

9 A. A retirement system is established with all the powers and privileges
10 pertaining to corporations, under the management of the board of trustees for the
11 purpose of providing retirement allowances and other benefits under the provisions
12 of this Chapter for teachers of the state of Louisiana. The retirement system so
13 created shall be established as of the first day of August nineteen hundred and
14 thirty-six. **The retirement system is established as a qualified defined benefit**
15 **plan under Title 11 of the Louisiana Revised Statutes of 1950, known as the**
16 **"Louisiana Public Retirement Law", as amended from time to time, pursuant**
17 **to Sections 401(a) and 414(d) of the Internal Revenue Code, other applicable**
18 **provisions of the Internal Revenue Code, applicable Treasury regulations, and**
19 **other guidance.**

20 B. This system shall be known as the "Teachers' Retirement System of
21 Louisiana", and by such name or its nominee name, which is hereby established as
22 "~~TRSLA~~" "**TRSL**", all of its business shall be transacted, all of its funds invested,
23 and all of its cash and securities and other property held, except as provided in
24 Subsection C hereof.

25 * * *

26 §723. Members employed in other state employment; exception

27 A.(1) Notwithstanding any enrollment error occurring prior to January 1,
28 1992, **and except as provided in Subsection C of this Section,** any person who is
29 a member of the Teachers' Retirement System of Louisiana, who has creditable

1 membership service of at least five years in this system and who becomes employed
 2 in other state or public employment where he is no longer eligible for membership
 3 in this system but is eligible for membership in another **state or** statewide retirement
 4 system, shall have the right to remain a member of this system in lieu of membership
 5 in the other ~~statewide~~ retirement system by filing a notice, in writing, with the board
 6 of trustees within sixty days after the effective date of employment. Such election
 7 shall be irrevocable.

8 * * *

9 §781. Refund of contributions

10 * * *

11 B. Any member whose employment is terminated as ~~an employee~~ **a teacher**
 12 as defined in R.S. 11:701~~(23)~~ **(33)**, and due to such termination applies to withdraw
 13 the accumulated contributions standing to his account, shall not be entitled to receive
 14 a refund of said funds if he has been employed again by an employer as ~~an employee~~
 15 **a teacher** defined in R.S. 11:701~~(23)~~ **(33)** prior to the processing of his refund
 16 request by the retirement system. Such a member shall be considered as being an
 17 active member of the retirement system and shall not be entitled to withdraw his
 18 accumulated contributions.

19 **C. In conformity with Section 401(a)(8) of the Internal Revenue Code,**
 20 **any forfeitures of benefits by members or former members of the plan shall not**
 21 **be used to pay benefit increases. However, such forfeitures may be used to**
 22 **reduce employer contributions.**

23 * * *

24 §784. Payment of benefits

25 A. **The retirement system shall pay all benefits in accordance with a**
 26 **good faith interpretation of the requirements of Section 401(a)(9) of the Internal**
 27 **Revenue Code as applicable to a governmental plan within the meaning of**
 28 **Section 414(d) of the Internal Revenue Code.** The payment of benefits to or on
 29 behalf of a member shall commence not later than April first following the calendar

1 year in which the member retires, or attains age seventy and one-half years,
2 whichever is later.

3 * * *

4 C. * * *

5 (2) Paragraph (1) shall not apply to any portion of a member's benefit which
6 is payable to or for the benefit of a designated beneficiary or beneficiaries, over the
7 life of or over the life expectancy of such beneficiary, so long as such distributions
8 begin not later than ~~one year after the date~~ **December thirty-first of the calendar**
9 **year immediately following the calendar year** of the member's death, or, in the
10 case of the member's surviving spouse, ~~the date~~ **December thirty-first of the**
11 **calendar year in which** the member would have attained the age of seventy and
12 one-half years. If the designated beneficiary is the member's surviving spouse and
13 if the surviving spouse dies before the distribution of benefits commences, then
14 Paragraph (1) shall be applied as if the surviving spouse were the member. If the
15 designated beneficiary is a child of the member, for purposes of satisfying the
16 requirement of Paragraph (1), any amount paid to such child shall be treated as if
17 paid to the member's surviving spouse if such amount would become payable to such
18 surviving spouse (if alive) upon the child's reaching age eighteen or, if later, upon
19 the child's completing a designated event. For purposes of the preceding sentence,
20 a designated event shall be the later of the date the child is no longer disabled or the
21 date the child ceases to be a full-time student (or attains age twenty-three, if earlier).

22 * * *

23 F. ~~Payment in accordance with the options of R.S. 11:762 or of this Subpart~~
24 ~~A of Part IV, Chapter 2 of Subtitle II, shall be deemed not to violate Subsections B~~
25 ~~and C of this Section.~~ **Notwithstanding any other provision of this Section or the**
26 **provisions of the Treasury Regulations, any benefit option may continue so long**
27 **as the option satisfies Section 401(a)(9) of the Internal Revenue Code based on**
28 **a reasonable and good faith interpretation of that section.**

29 * * *

1 §784.1. Maximum benefits

2 A.(1) Notwithstanding any other provision of this system to the contrary, ~~no~~
3 ~~member shall receive a benefit in any year in excess of the sum of the maximum~~
4 ~~employer-financed benefit and the member-financed benefit~~ **the member**
5 **contributions paid to and retirement benefits paid from the plan shall be limited**
6 **to such extent as may be necessary to conform to the requirements of Section**
7 **415 of the Internal Revenue Code for a qualified pension plan.**

8 (a) ~~The maximum employer-financed benefit shall equal the sum of ninety~~
9 ~~thousand dollars, except that it may exceed that sum if the excess is caused by~~
10 ~~adjustments made pursuant to this Section.~~

11 (b) ~~The maximum employer-financed benefit for the year 1999 shall equal~~
12 ~~one hundred thirty thousand dollars. The member-financed benefit is the annual~~
13 ~~benefit that can be provided by annuitizing the member's after-tax accumulated~~
14 ~~contributions.~~

15 (2) ~~Any benefit reduction required by this Section shall, to the extent~~
16 ~~possible, reduce the monthly pension to which the member would otherwise have~~
17 ~~been entitled and shall not affect the member's Deferred Retirement Option Plan~~
18 ~~account.~~

19 **(2) Basic 415(b) limitation. (a) Before January 1, 1995, a member may**
20 **not receive an annual benefit that exceeds the limits specified in Section 415(b)**
21 **of the Internal Revenue Code, subject to the applicable adjustments in that**
22 **Section. On and after January 1, 1995, a member may not receive an annual**
23 **benefit that exceeds the dollar amount specified in Section 415(b)(1)(A) of the**
24 **Internal Revenue Code, subject to the applicable adjustments in Section 415(b)**
25 **of the Internal Revenue Code and subject to any additional limits that may be**
26 **specified in the retirement system. In no event shall a member's annual benefit**
27 **payable under the plan in any limitation year be greater than the limit**
28 **applicable at the annuity starting date, as increased in subsequent years**
29 **pursuant to Section 415(d) of the Internal Revenue Code and the regulations**

1 **thereunder.**

2 **(b) For purposes of Section 415(b) of the Internal Revenue Code,**
 3 **"annual benefit" means a benefit payable annually in the form of a straight life**
 4 **annuity with no ancillary benefits without regard to the benefit attributable to**
 5 **after-tax employee contributions, except pursuant to Section 415(n) of the**
 6 **Internal Revenue Code, and to rollover contributions, as defined in Section**
 7 **415(b)(2)(A) of the Internal Revenue Code. The "benefit attributable" shall be**
 8 **determined in accordance with Treasury regulations.**

9 B. **Adjustments in 415(b) limitation.** ~~(1)(a)~~ If the annual benefit begins
 10 before the member attains age sixty-two, the ~~ninety thousand dollar~~ limit described
 11 in ~~Subparagraph A(1)(a) of~~ **prescribed by** this Section, as adjusted, shall be reduced
 12 in a manner ~~prescribed by the United States Secretary of the~~ **accordance with**
 13 Treasury **regulations pursuant to the provisions of Section 415(b) of the Internal**
 14 **Revenue Code, so that such limit, as so reduced, equals an annual straight life**
 15 **benefit when such retirement income benefit begins which is equivalent to a one**
 16 **hundred sixty thousand dollar annual benefit, as adjusted, beginning at age**
 17 **sixty-two. The reduction provided for in this Paragraph shall not be applicable:**

18 **(a) In the event the member's benefit is based on fifteen years of military**
 19 **service; or**

20 **(b) To pre-retirement disability benefits or pre-retirement death**
 21 **benefits.**

22 ~~(b) The adjustment authorized by Subparagraph (a) of this Paragraph may~~
 23 ~~not reduce the member's annual benefit below seventy-five thousand dollars, if the~~
 24 ~~member's benefit begins at or after age fifty-five, or the actuarial equivalent of~~
 25 ~~seventy-five thousand dollars beginning at age fifty-five if benefits begin before age~~
 26 ~~fifty-five.~~

27 ~~(2)(a) If the annual benefit begins after the member attains age sixty-five, the~~
 28 ~~ninety thousand dollar limit set forth in Subparagraph A(1)(a) of this Section, as~~
 29 ~~adjusted, shall be increased so that it is the actuarial equivalent of the ninety~~

1 thousand dollar limit at age sixty-five. The ninety thousand dollar limit on annual
2 benefits, but not the seventy-five thousand dollar limit set forth in Subparagraph
3 B(1)(b) of this Section, shall be adjusted annually as provided by Section 415(d) of
4 the United States Internal Revenue Code and the regulations prescribed by the
5 United States Secretary of the Treasury to reflect cost-of-living adjustments.

6 ~~(b)~~ **(2) Effect of cost-of-living adjustments.** ~~(a)~~ The annual adjusted limit,
7 set forth in Subparagraph ~~(a)~~ of this Paragraph **A(2) of this Section**, is effective as
8 of January first of each calendar year and is applicable to benefits commencing
9 during that calendar year. As a result of a cost-of-living increase **to the limit under**
10 **Section 415(d) of the Internal Revenue Code**, a benefit that had been limited by
11 the provisions of this Section in a previous year may be increased with respect to
12 future payments to the lesser of the new limit or the amount of benefit that would
13 have been payable from this system without regard to the provisions of this Section.

14 **(b) Effective on and after January 1, 2009, for purposes of applying the**
15 **limits under Section 415(b) of the Internal Revenue Code (the "Limit") to a**
16 **member with no lump sum benefit, the following shall apply:**

17 **(i) A member's applicable Limit shall be applied to the member's annual**
18 **benefit in the member's first limitation year without regard to any cost-of-living**
19 **adjustments granted under the plan;**

20 **(ii) To the extent that the member's annual benefit equals or exceeds the**
21 **Limit, the member shall no longer be eligible for cost-of-living adjustments until**
22 **such time as the benefit plus the accumulated increases are less than the Limit;**
23 **and**

24 **(iii) Thereafter, in any subsequent limitation year, a member's annual**
25 **benefit, including any cost-of-living adjustments granted under the plan, shall**
26 **be tested under the then-applicable benefit Limit including any adjustment to**
27 **the Section 415(b)(1)(A) of the Internal Revenue Code dollar limit under Section**
28 **415(d) of the Internal Revenue Code, and the regulations thereunder.**

29 **(c) Effective on and after January 1, 2009, with respect to a member**

1 who receives a portion of the member's annual benefit in a lump sum, a
2 member's applicable Limit will be applied taking into consideration cost-of-
3 living adjustments as required by Section 415(b) of the Internal Revenue Code
4 and applicable Treasury regulations.

5 (3) Annual benefits may not be paid in an amount greater than the accrued
6 benefit under the plan. The maximum benefit limit, set forth in Paragraph A(1) of
7 this Section, shall apply to a single-life annuity. If the benefit is payable in a form
8 other than a single-life annuity, the maximum limit shall apply to the pension that is
9 the actuarial equivalent of such single-life annuity, using an applicable interest rate
10 and mortality table as prescribed by the ~~United States~~ Internal Revenue Service;
11 ~~however, the limit shall not be reduced for any benefit received as a disability~~
12 ~~retirement allowance or any payments received by the beneficiaries, survivors, or~~
13 ~~estate of a member as a result of the death of the member.~~

14 C. ~~An annual benefit may be paid to any member in excess of the limit~~
15 ~~otherwise allowed in Paragraph A(1) of this Section if the annual benefit derived~~
16 ~~from the employer contributions under this and all other qualified plans of the~~
17 ~~employer subject to the limitations of Section 415(b) of the United States Internal~~
18 ~~Revenue Code does not, in the aggregate, exceed ten thousand dollars for the plan~~
19 ~~year or for any prior year, and the member has not at any time participated in a~~
20 ~~defined contribution plan maintained by the employer. For purposes of this~~
21 ~~Subsection, a member's own contributions to the system are not considered a~~
22 ~~separate defined contribution plan maintained by the employer. (1) **Ten Thousand**~~
23 ~~**Dollar Limit. The retirement benefit payable with respect to a member shall be**~~
24 ~~**deemed not to exceed the 415 limit if the benefits payable, with respect to such**~~
25 ~~**member under this plan and under all other qualified defined benefit pension**~~
26 ~~**plans to which the member's employer contributes, do not exceed ten thousand**~~
27 ~~**dollars for the applicable limitation year and for any prior limitation year and**~~
28 ~~**the employer has not at any time maintained a qualified defined contribution**~~
29 ~~**plan in which the member participated.**~~

1 **(2) Less than Ten Years of Participation or Service Adjustment for**
2 **415(b) Limitations. The maximum retirement benefits payable to any member**
3 **who has completed less than ten years of service shall be the amount determined**
4 **under Paragraph A(2) of this Section, as adjusted under Subsection B of this**
5 **Section, multiplied by a fraction, the numerator of which is the number of the**
6 **member's years of participation and the denominator of which is ten. The limit**
7 **under Paragraph C(1) of this Section, concerning the ten thousand dollar limit,**
8 **shall be similarly reduced for any member who has accrued less than ten years**
9 **of service, except the fraction shall be determined with respect to years of**
10 **service instead of years of participation. The reduction provided by this**
11 **Paragraph shall not reduce the maximum benefit below ten percent of the limit**
12 **determined without regard to this Paragraph. The reduction provided for in**
13 **this Paragraph cannot be applicable to pre-retirement disability benefits or**
14 **pre-retirement death benefits.**

15 D.(1) If a member is or has been a participant in one or more defined
16 contribution plans maintained by the employer, the sum of the member's
17 contributions paid to this system and any other qualified defined benefit plans of the
18 employer and the annual additions under such defined contribution plan or plans may
19 not exceed the lesser of twenty-five percent of the member's earned compensation
20 or thirty thousand dollars, as adjusted by the United States Secretary of the Treasury
21 **the limit under Section 415(c) of the Internal Revenue Code.**

22 ~~(2) The sum of the "defined benefit plan fraction" and the "defined~~
23 ~~contribution plan fraction", as those terms are defined in Section 415 of the United~~
24 ~~States Internal Revenue Code, for any plan year in which Section 415 of the United~~
25 ~~States Internal Revenue Code is in effect, may not exceed one, 1.0, for any calendar~~
26 ~~year in which the limits of Section 415(d) of the United States Internal Revenue~~
27 ~~Code are in effect and enforced by the United States Internal Revenue Service. If the~~
28 ~~sum of the defined benefit plan fraction and the defined contribution plan fraction~~
29 ~~exceeds one, 1.0, in any such year for any member, or if the benefits under this plan~~

1 ~~and one or more other defined benefit plans of the employer would otherwise exceed~~
 2 ~~the maximum employer-financed benefit, and the administrator of the other plan or~~
 3 ~~plans does not reduce the contributions or benefits under such other plan, the~~
 4 ~~employer-financed benefit payable by this system shall be reduced to the extent~~
 5 ~~necessary to ensure that the limitations provided in Section 415 of the United States~~
 6 ~~Internal Revenue Code are met.~~ **The 415(b) limit with respect to any member who**
 7 ~~at any time has been a member in any other defined benefit plan as defined in~~
 8 ~~Section 414(j) of the Internal Revenue Code maintained by the member's~~
 9 ~~employer shall apply as if the total benefits payable under all such defined~~
 10 ~~benefit plans in which the member has been a member were payable from one~~
 11 ~~plan.~~

12 **(3) Effective on and after January 1, 2000, the limit under Section 415(e)**
 13 **of the Internal Revenue Code shall no longer apply.**

14 * * *

15 §785.1. Annual compensation limitation for determination of benefits

16 A. Unless otherwise provided in this Chapter, the accrued benefit of each
 17 "Section 401(a)(17) employee" as that term is defined below shall be the greater of
 18 the following:

19 (1) The employee's accrued benefit determined with respect to the benefit
 20 formula applicable for the plan year beginning on or after January 1, 1996, as applied
 21 to the employee's total years of service taken into account for purposes of benefit
 22 accruals.

23 (2) The sum of:

24 (a) The employee's accrued benefit as of the last day of the last plan year
 25 beginning before January 1, 1996, frozen in accordance with the provisions of
 26 ~~Section 1.401(a)(4) through (13) of the Code of Federal Regulations~~ **Sections**
 27 **1.401(a)(4)-1 through 1.401(a)(4)-13 of the Treasury regulations;** and

28 (b) The employee's accrued benefit determined under the benefit formula
 29 applicable for the plan year beginning on or after January 1, 1996, as applied to the

1 employee's years of service credited to the employee for plan years beginning on or
2 after January 1, 1996, for purposes of benefit accruals.

3 * * *

4 C. If an employee is not a "Section 401(a)(17) employee", his accrued
5 benefit in this system shall not be based upon compensation in excess of the annual
6 limit of Section 401(a)(17) of the ~~United States~~ Internal Revenue Code, as amended
7 and revised, **subject to the following provisions:**

8 **(1) Effective with respect to plan years beginning on and after July 1,**
9 **1996, and before July 1, 2002, the annual compensation of a plan member which**
10 **exceeds one hundred fifty thousand dollars, as adjusted for cost-of-living**
11 **increases under Section 401(a)(17)(B) of the Internal Revenue Code, shall be**
12 **disregarded for purposes of computing employee and employer contributions**
13 **to or benefits due from the retirement system. Effective only for the 1996 plan**
14 **year, in determining the compensation of an employee eligible for consideration**
15 **under this Paragraph, the rules of Section 414(q)(6) of the Internal Revenue**
16 **Code shall apply, except that in applying such rules, the term "family" shall**
17 **include only the spouse of the member and any lineal descendants of the**
18 **employee who have not attained age nineteen before the close of the year.**

19 **(2) Effective with respect to plan years beginning on and after July 1,**
20 **2002, the annual compensation of a plan member which exceeds two hundred**
21 **thousand dollars, as adjusted for cost-of-living increases in accordance with**
22 **Section 401(a)(17)(B) of the Internal Revenue Code, may not be taken into**
23 **account in determining benefits or contributions due for any plan year. Annual**
24 **compensation means compensation during the plan year or such other**
25 **consecutive twelve month period, hereinafter the "determination period", over**
26 **which compensation is otherwise determined under the plan. The cost-of-living**
27 **adjustment in effect for a calendar year applies to annual compensation for the**
28 **determination period that begins with or within such calendar year. If the**
29 **determination period consists of fewer than twelve months, the annual**

1 compensation limit is an amount equal to the otherwise applicable annual
 2 compensation limit multiplied by a fraction, the numerator of which is the
 3 number of months in the short determination period, and the denominator of
 4 which is twelve. If the compensation for any prior determination period is
 5 taken into account in determining a plan member's contributions or benefits for
 6 the current plan year, the compensation for such prior determination period is
 7 subject to the applicable annual compensation limit in effect for that prior
 8 period.

9 * * *

10 §792. Direct rollover

11 A. The provisions of this Section shall apply to all eligible distributions
 12 by the system made on or after January 1, 1993, for purposes of compliance
 13 with Section 401(a)(31) of the Internal Revenue Code. Notwithstanding any other
 14 provision of law to the contrary that would otherwise limit a member's distributee's
 15 election under this Section, a member distributee may elect, at the time and in the
 16 manner prescribed by the ~~Board of Trustees~~ board of trustees, to have any portion
 17 of an "eligible rollover distribution", as specified by the member distributee, paid
 18 directly to an "eligible retirement plan", as those terms are defined below.

19 B. An "eligible rollover distribution" is any distribution of all or any portion
 20 of the balance to the credit of a member, ~~except that an eligible rollover distribution~~
 21 ~~does not include:~~ distributee. Effective January 1, 2002, the definition of eligible
 22 rollover distribution shall also include a distribution to a surviving spouse, or
 23 to a former spouse with whom a benefit or a return of employee contributions
 24 is to be divided pursuant to R.S. 11:291(B) and who is an alternate payee under
 25 a domestic relations order. An eligible rollover distribution shall not include:

26 (1) Any distribution that is one of a series of substantially equal periodic
 27 payments, not less frequently than annually, made for the life or life expectancy of
 28 the member distributee, or the joint lives or joint life expectancies of the member
 29 distributee and the member's distributee's designated beneficiary, or for a specified

1 period of ten years or more.

2 (2) Any distribution to the extent that such distribution is required under
3 Section 401(a)(9) of the ~~United States~~ Internal Revenue Code.

4 **(3) The portion of any distribution that is not includible in gross income;**
5 **provided, however, effective January 1, 2002, a portion of a distribution shall**
6 **not fail to be an eligible rollover distribution merely because the portion consists**
7 **of after-tax employee contributions that are not includible in gross income, but**
8 **such portion may be transferred only:**

9 **(a) To an individual retirement account or annuity described in Section**
10 **408(a) or (b) of the Internal Revenue Code or to a qualified defined contribution**
11 **plan described in Section 401(a) of the Internal Revenue Code that agrees to**
12 **separately account for amounts so transferred and earnings thereon, including**
13 **separately accounting for the portion of the distribution that is includible in**
14 **gross income and the portion of the distribution that is not so includible;**

15 **(b) On or after January 1, 2007, to a qualified defined benefit plan**
16 **described in Section 401(a) of the Internal Revenue Code or to an annuity**
17 **contract described in Section 403(b) of the Internal Revenue Code, that agrees**
18 **to separately account for amounts so transferred and earnings thereon,**
19 **including separately accounting for the portion of the distribution that is**
20 **includible in gross income and the portion of the distribution that is not so**
21 **includible; or**

22 **(c) On or after January 1, 2008, to a Roth IRA described in Section**
23 **408A of the Internal Revenue Code.**

24 **(4) Any other distribution which the Internal Revenue Service does not**
25 **consider eligible for rollover treatment, such as certain corrective distributions**
26 **necessary to comply with the provisions of Section 415 of the Internal Revenue**
27 **Code or any distribution that is reasonably expected to total less than two**
28 **hundred dollars during the year.**

29 C.(†) An "eligible retirement plan" shall mean any of the following **that**

1 **accepts the distributee's eligible rollover distribution:**2 (a) **(1)** An individual retirement account described in Section 408(a) of the
3 Internal Revenue Code.4 (b) **(2)** An individual retirement annuity described in Section 408(b) of the
5 Internal Revenue Code.6 (c) **(3)** An annuity plan described in Section 403(a) of the Internal Revenue
7 Code.8 (d) **(4)** A qualified trust as described in Section 401(a) of the Internal
9 Revenue Code, ~~provided that such trust accepts the member's eligible rollover~~
10 ~~distribution.~~11 (e) **(5)** An **Effective January 1, 2002, an** eligible deferred compensation plan
12 described in Section 457(b) of the Internal Revenue Code that is maintained by an
13 eligible governmental employer, provided the plan contains provisions to account
14 separately for amounts transferred into such plan.15 (f) **(6)** An **Effective January 1, 2002, an** annuity contract described in
16 Section 403(b) of the Internal Revenue Code.17 **(7) Effective January 1, 2008, a Roth IRA described in Section 408A of**
18 **the Internal Revenue Code.**

19 D. A "distributee" as provided for in this Section shall include:

20 (1) A member or former member.

21 (2) The member's or former member's surviving spouse, or the member's or
22 former member's former spouse with whom a benefit or a return of employee
23 contributions is to be divided pursuant to R.S. 11:291(B) **and who is the alternate**
24 **payee under a domestic relations order**, with reference to an interest of the
25 member or former spouse.26 (3) ~~The~~ **Effective January 1, 2010, the** member's or former member's non-
27 spouse beneficiary, provided the specified distribution is to an eligible retirement
28 plan as defined in ~~Subparagraphs~~ **Paragraphs** (C)(1)(a) ~~and (C)(1)(b)(2)~~ of this
29 Section **established for the purpose of receiving the distribution, and the account**

1 or annuity will be treated as an "inherited" individual retirement account or
2 annuity.

3 (4) Any other beneficiary as authorized under the Internal Revenue
4 Code and as required to maintain governmental plan tax qualification status.

5 * * *

6 §826. Rules and regulations

7 Subject to the limitations of this Part the board of trustees shall, from time to
8 time, establish rules and regulations for the administration of the funds created by
9 this Part **Chapter** and for the transaction of its business. The board shall prepare and
10 submit to the Joint Legislative Committee on the Budget an annual budget for
11 estimated costs of operating the system for each succeeding fiscal year. This budget
12 shall be subject to approval by the Joint Legislative Committee on the Budget. **The**
13 **board of trustees shall adopt rules and regulations which are appropriate or**
14 **necessary to maintain the qualified status of the plan.**

15 Section 2. R.S. 11:723(B) is hereby repealed.

16 Section 3. This Act shall become effective on July 1, 2014; if vetoed by the governor
17 and subsequently approved by the legislature, this Act shall become effective on July 1,
18 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 Laura Gail Sullivan.

DIGEST

Guillory (SB 20)

Proposed law amends present law to keep the provisions governing the Teachers' Retirement System of Louisiana in conformity with the provisions of present federal law requirements for tax-qualified defined benefit plans.

Effective July 1, 2014.

(Amends R.S. 11:701(10), (11), (12), (24), and (33)(a)(i), (ii)(aa), and (xiii) and (b)(i), 702(A) and (B), 723(A)(1), 781(B), 784(A), (C)(2), and (F), 784.1(A), (B), (C), and (D), 785.1(A) and (C), 792(A), (B), (C), and (D), and 826; adds R.S. 11:701(14.1), (22.1), and (33)(a)(xiv) and 781(C); repeals R.S. 11:723(B))