

Regular Session, 2014

HOUSE BILL NO. 32

BY REPRESENTATIVES JONES AND HAVARD

RETIREMENT/COLAS: Provides a permanent benefit increase paid from the experience account to certain retired members and beneficiaries of the State Police Retirement System

1 AN ACT

2 To provide a permanent benefit increase to certain retirees and beneficiaries of the State
3 Police Retirement System in conformity with the provisions of the system's
4 experience account; to provide for eligibility for the increase; to provide for
5 calculation of the increase; to provide for funding; to provide an effective date; and
6 to provide for related matters.

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

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. Findings. (A) The legislature created the experience account within the
12 State Police Retirement System as a mechanism for funding, on an actuarial basis,
13 permanent benefit adjustments for retirees and their beneficiaries. The experience account
14 is credited with half of the system's investment gains over its actuarially assumed rate of
15 return and with interest on funds in the account. The legislature has restricted the amount
16 that can be in the account at any one time; the funds in the account may not exceed an
17 amount sufficient to fund two permanent benefit increases to eligible retirees and
18 beneficiaries. The legislature may authorize the system to use the funds in the account to
19 pay a permanent benefit increase to these retirees and beneficiaries.

20 (B) According to the June 30, 2013, valuation adopted by the system's board of
21 trustees, the legislature finds that in Fiscal Year 2013, the system attained an actuarial rate

1 of return of sixteen and seventy-seven hundredths percent. This rate of return is above the
2 system's target of seven percent. According to the June 30, 2013, valuation adopted by the
3 system's board of trustees, approximately eighteen million dollars in excess earnings was
4 deposited into the experience account. The legislative auditor's actuary and the system's
5 actuary agree that this amount would be sufficient to fully fund an increase to eligible retiree
6 and beneficiary benefits by the maximum three percent authorized by law.

7 (C) In accordance with R.S. 11:1332(C)(1), the legislature finds that any increase
8 granted pursuant to this Act shall be based only on ninety-four thousand three hundred
9 thirteen dollars of a retiree's annual benefit.

10 (D) In accordance with law providing for the experience account, the legislature
11 finds that the following retirees and beneficiaries are eligible for a general permanent benefit
12 increase funded by the State Police Retirement System experience account:

13 (1) Any non-disability retiree who has attained the age of sixty and who has been
14 retired for at least one year.

15 (2) Any disability retiree, regardless of age, who has been retired for at least one
16 year and any beneficiary of such a retiree.

17 (3) Any beneficiary of a non-disability retiree if the beneficiary or the retiree, or both
18 combined, have received benefits for at least one year and the non-disability retiree would
19 have attained age sixty by the time of the increase.

20 (E) In accordance with R.S. 11:1332(C), the legislature finds that any general
21 permanent benefit increase granted by the provisions of this Act shall not exceed the lesser
22 of:

23 (1) Three percent.

24 (2) A sum equal to the consumer price index, United States city average for all urban
25 consumers (CPI-U), as prepared by the United States Department of Labor, Bureau of Labor
26 Statistics, for the calendar year immediately preceding the permanent benefit increase.

27 (F) The legislature finds that the consumer price index, United States city average
28 for all urban consumers (CPI-U), as prepared by the United States Department of Labor,
29 Bureau of Labor Statistics, for the calendar year 2013 was one and one-half of one percent.

30 (G) The legislature further finds that the law providing for the experience account
31 authorizes retirees and beneficiaries who have attained at least age sixty-five to receive a

1 supplemental permanent benefit increase of two percent, to be funded by the experience
2 account. Pursuant to R.S. 11:1332(F), such increase shall only be payable on ninety-four
3 thousand three hundred thirteen dollars of the retiree or beneficiary's annual benefit. The
4 legislative auditor's actuary and the system's actuary agree that the funds in the experience
5 account above that required to pay the general permanent benefit increase are sufficient to
6 fully fund such supplemental increase.

7 Section 2. Authorization. (A) In accordance with the system's experience account
8 law and the findings in this Act, the Legislature of Louisiana hereby grants a general
9 permanent benefit increase of one and one-half of one percent, effective July 1, 2014, to all
10 eligible retirees and beneficiaries of the State Police Retirement System. No further action
11 on the part of the legislature shall be required to implement such increase.

12 (B) In accordance with the system's experience account law and the findings in this
13 Act, the Legislature of Louisiana hereby grants a supplemental permanent benefit increase
14 of two percent, effective July 1, 2014, to all retirees and beneficiaries of the State Police
15 Retirement System who are at least age sixty-five. No further action on the part of the
16 Legislature shall be required to implement such increase.

17 Section 3. The cost of this Act, if any, shall be funded with monies from the State
18 Police Retirement System experience account in compliance with Article X, Section 29(F)
19 of the Constitution of Louisiana.

20 Section 4. This Act shall become effective on June 30, 2014; if vetoed by the
21 governor and subsequently approved by the legislature, this Act shall become effective on
22 June 30, 2014, or on the day following such approval by the legislature, whichever is later.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Jones

HB No. 32

Abstract: Provides a permanent benefit increase of 1.5%, funded by the State Police Retirement System (STPOL) experience account, to all eligible retirees and beneficiaries and further grants a supplemental increase of 2%, also funded by the experience account, to eligible retirees and beneficiaries over the age of 65.

Present law provides that the board of trustees of STPOL may recommend to the president of the Senate and the speaker of the House of Representatives that the system be permitted to grant a permanent benefit increase, sometimes called a cost-of-living adjustment or

COLA, to retirees and beneficiaries whenever the balance in the STPOL experience account is sufficient to fund such benefit.

Present law provides the board of trustees shall not grant a permanent benefit increase unless such increase has been approved by the legislature by concurrent resolution adopted by the favorable vote of a majority of the elected members of each house.

Notwithstanding present statutory law providing for legislative approval by resolution, present constitution provides that benefits from public retirement systems may only be altered by legislative enactment. Present constitution further requires a 2/3 vote of the legislature to pass any such change in benefits that has an actuarial cost.

Present law limits the amount of the general increase to the lesser of 3% or the increase in a specified consumer price index for the previous calendar year; for 2013 that increase was 1.5%. Further provides for a supplemental benefit increase of an additional 2% for retirees and beneficiaries who are over the age of 65.

Proposed law grants the following permanent benefit increases:

- (1) An increase of 1.5% to all qualified retirees and beneficiaries.
- (2) An additional increase of 2% to all retirees and beneficiaries above the age of 65 who qualify for such increase pursuant to the provisions of present law.

Pursuant to present constitution (Art. X, §29(F)), proposed law further provides that the cost of such increase shall be paid by funds from the system's experience account.

Effective June 30, 2014.