

Regular Session, 2014

HOUSE BILL NO. 34

BY REPRESENTATIVE JONES

RETIREMENT/COLAS: Provides a supplemental benefit increase to qualifying retirees and beneficiaries of the La. State Employees' Retirement System

1 AN ACT

2 To amend and reenact R.S. 11:542.1, relative to increases of benefits received from the
3 Louisiana State Employees' Retirement System; to provide for a supplemental
4 permanent benefit increase; to provide for funding; to provide for an effective date;
5 and to provide for related matters.

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

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 11:542.1 is hereby amended and reenacted to read as follows:

11 §542.1. Supplemental cost-of-living ~~increase for 2007~~ increases; payment from
12 experience account

13 A. The legislature hereby acknowledges that providing ~~generous~~ retirement
14 benefits for our state employees is an important element of the complete
15 compensation package the state offers such employees for their public service. In
16 order to maintain the purchasing power of a retiree's benefit, periodic increases in the
17 benefit amount are necessary to offset the increases in the cost of ordinary living
18 expenses. When the timing of such increases is infrequent or erratic, it becomes
19 difficult for such increases to protect the retiree from falling behind financially.

1 B. The legislature recognizes that while providing periodic ~~cost-of-living~~
2 benefit increases is necessary to preserve the standard of living of our retired state
3 employees, such increases have a price which is ultimately paid by the taxpayers
4 through allocation of employer contributions to the system. Increases should
5 therefore be limited to a reasonable level to prevent the expense of such increases
6 from causing an undue burden on the state fisc and, by extension, on the taxpayers.
7 Additionally, such increases are not meant to function as pay raises but merely to
8 maintain the standard of living of the recipients, keeping pace with the Consumer
9 Price Index for All Urban Consumers, ~~U.S.~~ United States city average for all items
10 (CPI-U).

11 C.(1) The legislature has provided for an employee experience account, a
12 mechanism for determining each year whether a ~~cost-of-living~~ benefit increase may
13 be granted and the amount of any such increase that is permitted. The provisions of
14 R.S. 11:542 prohibit any ~~cost-of-living~~ increase paid from experience account funds
15 from being in excess of three percent, helping to limit the expense of granting each
16 such increase to a reasonable level. Additionally, if the growth in the CPI-U for the
17 preceding calendar year is less than three percent, then the statutorily permissible
18 increase from the experience account is also of this lesser percent.

19 (2)(a) For an increase payable on July 1, 2007, the application of the
20 experience account mechanism results in a determination that, if the system properly
21 complies with all other requirements of the experience account statute and subject
22 to the approval of the legislature, the board of trustees of the Louisiana State
23 Employees' Retirement System may grant an increase to eligible retirees, survivors,
24 and beneficiaries equal to the CPI-U for the 2006 calendar year of two and one-half
25 percent.

26 (b) For an increase payable on July 1, 2014, the application of the experience
27 account mechanism results in a determination that, subject to the approval of the
28 legislature, those eligible to receive a benefit increase pursuant to R.S.11:542 shall

1 receive an increase equal to the CPI-U for the 2013 calendar year of one and one-half
2 of one percent.

3 D.(1)(a) Considering the factual and policy statements in Subsections A, B,
4 and C of this Section, and taking into account that retired state employees did not
5 receive a cost-of-living increase for three consecutive years due to market conditions
6 and the deficit in the experience account, the legislature finds that, for the July 1,
7 2007, cost-of-living increase payable pursuant to the experience account statute,
8 permitting the board to grant the maximum three-percent increase allowable pursuant
9 to the provisions of the experience account statute without regard to the CPI-U helps
10 preserve the purchasing power of retired state employees, their survivors, and
11 beneficiaries without creating an undue financial burden on the state or the
12 taxpayers.

13 (b) Considering the factual and policy statements in Subsections A, B, and
14 C of this Section, and taking into account that retired state employees did not receive
15 a benefit increase for five consecutive years due to market conditions, the legislature
16 finds that, for the July 1, 2014, permanent benefit increase payable pursuant to the
17 experience account statute, granting a supplemental increase of an amount to be
18 determined without regard to the CPI-U helps preserve the purchasing power of
19 those eligible for such increases without creating an undue financial burden on the
20 state or the taxpayers.

21 (2)(a) Notwithstanding the provisions of R.S. 11:542(B)(2) and (C)(1) and
22 (2) limiting any increase granted from experience account funds and payable July 1,
23 2007, to two and one-half percent, the board of trustees of the Louisiana State
24 Employees' Retirement System is authorized to grant from the funds in the
25 experience account a supplemental cost-of-living increase of one-half of one percent,
26 which may be paid beginning July 1, 2007, provided all other requirements of R.S.
27 11:542 are met and the total level of the increase granted does not exceed three
28 percent.

1 **(b) Notwithstanding the provisions of R.S. 11:542(B)(2) and (C)(1) and (2)**
2 **limiting any increase granted from experience account funds and payable July 1,**
3 **2014, to one and one-half of one percent, the legislature grants, from the funds in the**
4 **experience account, a supplemental permanent benefit increase of an amount to be**
5 **determined, to be paid beginning July 1, 2014, provided all other requirements of**
6 **R.S. 11:542 are met and the total level of the increase granted does not exceed the**
7 **sum of the CPI-U and the amount to be determined. Notwithstanding any provision**
8 **of this Subparagraph to the contrary, no further action on the part of the legislature**
9 **shall be required in order to grant the supplemental benefit authorized by this**
10 **Subparagraph.**

11 E.(1) Except for the authority to grant a supplemental one-half of one percent
12 increase payable July 1, 2007, nothing in this Section shall be construed to grant the
13 board of trustees of the Louisiana State Employees' Retirement System any
14 additional authority to grant or to recommend to the legislature that it be permitted
15 to grant a cost-of-living increase greater than the increase as calculated pursuant to
16 the provisions of R.S. 11:542 as they exist on June 30, 2007.

17 **(2) Nothing in this Section shall be construed to grant the board of trustees**
18 **of the Louisiana State Employees' Retirement System any additional authority to**
19 **recommend that the legislature grant a permanent benefit increase greater than the**
20 **increase as calculated pursuant to the provisions of R.S. 11:542.**

21 Section 2.(A) The actuarial cost of the benefit provisions of this Act shall be funded
22 from the experience account of the Louisiana State Employees' Retirement System in
23 compliance with Article X, Section 29(F) of the Constitution of Louisiana.

24 (B) The additional actuarial cost, if any, of the benefit provisions of this Act not
25 funded from the experience account shall be funded with increased employer contributions
26 in compliance with Article X, Section 29(F) of the Constitution of Louisiana.

27 Section 3. This Act shall become effective on June 30, 2014; if vetoed by the
28 governor and subsequently approved by the legislature, this Act shall become effective on
29 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. 34

Abstract: Authorizes a supplemental benefit increase for certain retirees and beneficiaries of the La. State Employees' Retirement System (LASERS).

Present law (R.S. 11:542), relative to LASERS, provides for the accumulation of certain system funds in an "experience account". Provides for utilization of these funds for permanent benefit increases (PBIs), sometimes called cost-of-living adjustments or COLAs, for retirees and beneficiaries of the system. Provides for determination of eligibility for and the amount of any increase paid with these funds.

Proposed law provides for a supplemental benefit increase for those eligible for a PBI pursuant to present law providing for the experience account. Provides that this increase shall be an additional amount to be determined.

Present law requires a concurrent resolution adopted by the legislature as part of the process of granting a PBI pursuant to present law. Proposed law provides that no further action is required by the legislature in order for the system to pay the PBI granted by proposed law.

In compliance with Art. X, §29(F) of the state constitution, proposed law requires that the actuarial cost of proposed law be funded with money from the system's experience account. Further provides that any additional actuarial cost be funded with additional employer contributions.

Effective June 30, 2014.

(Amends R.S. 11:542.1)