

Regular Session, 2014

SENATE BILL NO. 27

BY SENATOR WALSWORTH

STATE EMPLOYEE RET. Provides for a supplemental benefit increase. (2/3 - CA10s29(F)) (6/30/14)

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 Be it enacted by the Legislature of Louisiana:

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

9 §542.1. Supplemental cost-of-living increases for 2007; payment from experience
10 account

11 A. The legislature hereby acknowledges that providing ~~generous~~ retirement
12 benefits for our state employees is an important element of the complete
13 compensation package the state offers such employees for their public service. In
14 order to maintain the purchasing power of a retiree's benefit, periodic increases in the
15 benefit amount are necessary to offset the increases in the cost of ordinary living
16 expenses. When the timing of such increases is infrequent or erratic, it becomes
17 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. city average for all items (CPI-U).

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

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

25 **(b) For an increase payable on July 1, 2014, the application of the**
26 **experience account mechanism results in a determination that, subject to the**
27 **approval of the legislature, eligible retirees, survivors, and beneficiaries shall**
28 **receive an increase equal to the CPI-U for the 2013 calendar year of one and**
29 **one-half of one percent.**

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

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

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

28 (b) Notwithstanding the provisions of R.S. 11:542(B)(2) and (C)(1) and
29 (2) limiting any increase granted from experience account funds and payable

1 **July 1, 2014, to one and one-half of one percent, the legislature grants from the**
2 **funds in the experience account a supplemental permanent benefit increase of**
3 **an amount to be determined later, to be paid beginning July 1, 2014, provided**
4 **all other requirements of R.S. 11:542 are met and the total level of the increase**
5 **granted does not exceed the sum of the CPI-U and the amount to be determined**
6 **later.**

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

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

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

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

23 Section 3. This Act shall become effective on June 30, 2014; if vetoed by the
24 governor and subsequently approved by the legislature, this Act shall become effective on
25 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 Laura Gail Sullivan.

DIGEST

Walsworth (SB 27)

Present law (R.S. 11:542), relative to the La. State Employees' Retirement System (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, survivors, 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 retirees, survivors, and beneficiaries eligible for a PBI pursuant to present experience account law. Provides that this increase shall be an additional amount to be determined later.

Effective June 30, 2014.

(Amends R.S. 11:542.1)