

Regular Session, 2014

HOUSE BILL NO. 85

BY REPRESENTATIVE KATRINA JACKSON

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

1 AN ACT

2 To provide a permanent benefit increase to certain retirees and beneficiaries of the Louisiana  
3 State Employees' Retirement System in conformity with the provisions of the  
4 system's 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. The legislature finds that the experience account of the Louisiana State  
12 Employees' Retirement System was created for the purpose of accumulating money  
13 sufficient to provide actuarial funding of permanent post-retirement benefit increases for  
14 retirees and the beneficiaries of the system. The legislature further finds that the experience  
15 account is credited with a portion of the system's investment gain in excess of certain  
16 thresholds and with interest on funds in the account; however, the amount in the experience  
17 account shall not exceed the reserve necessary to grant two permanent benefit increases.

18 Section 2. The legislature finds that permanent benefit increases funded by the  
19 experience account monies are payable to regular retirees who have been retired for at least  
20 one year and who have attained the age of sixty years; to disability retirees who have been

1 retired at least one year regardless of age; to beneficiaries of retirees who would have met  
2 the applicable criteria to receive the increase if they had survived; and to nonretiree  
3 beneficiaries who have received a benefit for at least one year and whose benefits originate  
4 from service of deceased members who would have attained the age of sixty. The legislature  
5 further finds that any increase payable in 2014 shall be calculated only on ninety-six  
6 thousand nine hundred thirty-one dollars of a retirement benefit.

7         Section 3. The legislature finds that, in accordance with the provisions of R.S.  
8 11:542, the board of trustees of the Louisiana State Employees' Retirement System has  
9 adopted a resolution recommending to the president of the Senate and the speaker of the  
10 House of Representatives that the legislature grant a permanent benefit increase to the  
11 eligible retirees and beneficiaries of the system in accordance with the provisions of R.S.  
12 11:542 and Article X, Section 29(F) of the Constitution of Louisiana.

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

16         (A) For the plan year that ended June 30, 2013, the Louisiana State Employees'  
17 Retirement System earned an actuarial rate of return of fourteen and five one hundredths of  
18 one percent, which exceeded the board-approved actuarial valuation rate of eight percent.

19         (B) For any year in which the system's rate of return is at least eight and one quarter  
20 percent, R.S. 11:542 provides that a permanent benefit increase shall not exceed the lesser  
21 of three percent or the increase in the consumer price index, United States city average for  
22 all urban consumers, as prepared by the United States Department of Labor, Bureau of Labor  
23 Statistics, for the calendar year immediately preceding the increase.

24         (C) The system actuary has determined that the actuarial liability created by  
25 providing a permanent benefit increase of two and seven tenths of one percent is  
26 approximately one hundred eighty-nine million dollars. The system actuary computed the  
27 balance in the experience account to be over one hundred ninety-five million dollars, an  
28 amount sufficient to fund a benefit increase up to two and seven tenths of one percent on an  
29 actuarial basis.

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

4 Section 6. The consumer price index, United States city average for all urban  
5 consumers, as prepared by the United States Department of Labor, Bureau of Labor  
6 Statistics, for the 2013 calendar year, released January 16, 2014, was determined to be one  
7 and one half of one percent, which does not exceed two and seven tenths of one percent.

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

13 Section 8. This Act shall become effective on June 30, 2014; if vetoed by the  
14 governor and subsequently approved by the legislature, this Act shall become effective on  
15 June 30, 2014, or on the day following such approval by the legislature, whichever is later.

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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)]

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Katrina Jackson

HB No. 85

**Abstract:** Provides a permanent benefit increase of 1.5%, funded by the La. State Employees' Retirement System (LASERS) experience account, to eligible retirees and beneficiaries of LASERS.

Present law provides that the board of trustees of LASERS 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 LASERS 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 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%.

Proposed law grants a permanent benefit increase of 1.5% to all qualified retirees and beneficiaries of LASERS.

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.