

2016 Regular Session

HOUSE BILL NO. 33

BY REPRESENTATIVE JONES

RETIREMENT/COLAS: Provides for payment of cost-of-living adjustments (COLAs) to retirees and beneficiaries of state retirement systems without legislative approval in certain circumstances

1 AN ACT

2 To amend and reenact R.S. 11:542(C)(1)(introductory paragraph) and (G)(1)(introductory  
3 paragraph), 883.1(C)(1)(introductory paragraph), (F)(2), and (H)(1)(introductory  
4 paragraph), 1145.1(C)(1)(introductory paragraph) and (F)(1)(introductory  
5 paragraph), and 1332(C)(1)(introductory paragraph), (F), and (G)(1)(introductory  
6 paragraph) and to enact R.S. 11:542(G)(1)(e) and (H), 883.1(H)(1)(e) and (I),  
7 1145.1(F)(1)(e) and (G), and 1332(G)(1)(e) and (H), relative to payment of benefit  
8 increases to qualifying retirees and beneficiaries of state retirement systems; to  
9 repeal requirement that such increases be approved by the legislature; to authorize  
10 the boards of trustees to pay such increases sua sponte when certain conditions are  
11 met; to provide relative to the amount of such increases; to require reports to the  
12 legislature when such increases are granted; and to provide for related matters.

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

16 Be it enacted by the Legislature of Louisiana:

17 Section 1. R.S. 11:542(C)(1)(introductory paragraph) and (G)(1)(introductory  
18 paragraph), 883.1(C)(1)(introductory paragraph), (F)(2), and (H)(1)(introductory paragraph),  
19 1145.1(C)(1)(introductory paragraph) and (F)(1)(introductory paragraph), and  
20 1332(C)(1)(introductory paragraph), (F), and (G)(1)(introductory paragraph) are hereby

1 amended and reenacted and R.S. 11:542(G)(1)(e) and (H), 883.1(H)(1)(e) and (I),  
2 1145.1(F)(1)(e) and (G), and 1332(G)(1)(e) and (H) are hereby enacted to read as follows:

3 §542. Experience account

4 \* \* \*

5 C.(1) In accordance with the provisions of this Section, the board of trustees  
6 may ~~recommend to the president of the Senate and the speaker of the House of~~  
7 ~~Representatives that the system be permitted to~~ grant a permanent benefit increase  
8 to retirees, survivors, and beneficiaries whenever the conditions in this Section are  
9 satisfied and the balance in the experience account is sufficient to fund such benefit  
10 fully on an actuarial basis, as determined by the system's actuary. If the legislative  
11 auditor's actuary disagrees with the determination of the system's actuary, a  
12 permanent benefit increase shall not be granted. ~~The board of trustees shall not grant~~  
13 ~~a permanent benefit increase unless such permanent benefit increase has been~~  
14 ~~approved by the legislature.~~ Any such permanent benefit increase granted on or  
15 before June 30, 2015, shall be limited to and shall only be payable based on an  
16 amount not to exceed seventy thousand dollars of the retiree's annual benefit. Any  
17 such permanent benefit increase granted on or after July 1, 2015, shall be limited to  
18 and shall only be payable based on an amount not to exceed sixty thousand dollars  
19 of the retiree's annual benefit. Effective for years after July 1, 1999, and on or before  
20 June 30, 2015, the seventy-thousand dollar limit shall be increased each year in an  
21 amount equal to any increase in the consumer price index (U.S. city average for all  
22 urban consumers (CPI-U)) for the preceding year, if any. ~~Effective on or after~~  
23 Beginning July 1, 2015, 2028 the sixty-thousand dollar limit shall be increased each  
24 year in an amount equal to ~~any~~ the increase, if any, in the consumer price index,  
25 (U.S. city average for all urban consumers (CPI-U)) for the twelve-month period  
26 ending on the system's valuation date, ~~if any~~. Any increase granted pursuant to the  
27 provisions of this Section shall begin on the July first following ~~legislative board~~  
28 approval, shall be payable annually, and shall be an amount equal to the lesser of:

29 \* \* \*

1 G.(1) Notwithstanding any provision of this Section to the contrary, in a year  
2 in which the experience account balance is insufficient to fund the amount required  
3 pursuant to Paragraph (C)(1) of this Section, the board may ~~make the~~  
4 ~~recommendation provided in Paragraph (C)(1) of this Section~~ grant a permanent  
5 benefit increase in an amount provided for in Paragraph (2) of this Subsection if all  
6 of the following conditions are satisfied:

7 \* \* \*

8 (e) The legislative auditor's actuary agrees with the determination of the  
9 system's actuary regarding the sufficiency of funds for such an increase.

10 \* \* \*

11 H. Within ten days of authorizing payment of a permanent benefit increase  
12 pursuant to this Section, the board of trustees shall submit a report to the House and  
13 Senate committees on retirement containing the following information:

14 (1) The percentage increase granted to the qualifying retiree and beneficiary  
15 benefits.

16 (2) The cost of the increase.

17 (3) The date the increase was approved by the board.

18 (4) The remaining balance in the system's experience account after payment  
19 of such increase.

20 \* \* \*

21 §883.1. Experience account

22 \* \* \*

23 C.(1) In accordance with the provisions of this Section, the board of trustees  
24 may ~~recommend to the president of the Senate and the speaker of the House of~~  
25 ~~Representatives that the system be permitted to~~ grant a permanent benefit increase  
26 to retirees and beneficiaries whenever the conditions in this Section are satisfied and  
27 the balance in the experience account is sufficient to fund such benefit fully on an  
28 actuarial basis, as determined by the system's actuary. If the legislative auditor's  
29 actuary disagrees with the determination of the system's actuary, a permanent benefit

1 increase shall not be granted. ~~The board of trustees shall not grant a permanent~~  
2 ~~benefit increase unless such permanent benefit increase has been approved by the~~  
3 ~~legislature.~~ Any increase granted pursuant to the provisions of this Section shall  
4 begin on the July first following ~~legislative~~ board approval, shall be payable  
5 annually, and shall be an amount equal to the lesser of:

6 \* \* \*

7 F.

8 \* \* \*

9 (2) Notwithstanding any other provisions of this Section to the contrary, any  
10 permanent benefit increase granted on or after July 1, 2015, shall be calculated only  
11 on the first sixty thousand dollars of the retiree's annual retirement benefit.  
12 Beginning July 1, 2028, this ~~This~~ sixty-thousand dollar limit shall be increased each  
13 year in an amount equal to ~~any~~ the increase, if any, in the consumer price index, U.S.  
14 city average for all urban consumers (CPI-U) for the immediately preceding one-year  
15 period ending in June, ~~if any~~.

16 \* \* \*

17 H.(1) Notwithstanding any provision of this Section to the contrary, in a year  
18 in which the experience account balance is insufficient to fund the amount required  
19 pursuant to Paragraph (C)(1) of this Section, the board may ~~make the~~  
20 ~~recommendation provided in Paragraph (C)(1) of this Section~~ grant a permanent  
21 benefit increase in an amount provided for in Paragraph (2) of this Subsection if all  
22 of the following conditions are satisfied:

23 \* \* \*

24 (e) The legislative auditor's actuary agrees with the determination of the  
25 system's actuary regarding the sufficiency of funds for such an increase.

26 \* \* \*

1           I. Within ten days of authorizing payment of a permanent benefit increase  
2           pursuant to this Section, the board of trustees shall submit a report to the House and  
3           Senate committees on retirement containing the following information:

4                   (1) The percentage increase granted to the qualifying retiree and beneficiary  
5                   benefits.

6                   (2) The cost of the increase.

7                   (3) The date the increase was approved by the board.

8                   (4) The remaining balance in the system's experience account after payment  
9                   of such increase.

10   \*       \*       \*

11           §1145.1. Employee Experience Account

12   \*       \*       \*

13           C.(1) In accordance with the provisions of this Section, the board of trustees  
14           ~~may recommend to the president of the Senate and the speaker of the House of~~  
15           ~~Representatives that the system be permitted to~~ grant a cost-of-living adjustment to  
16           retirees and beneficiaries whenever the conditions in this Section are satisfied and  
17           the balance in the Employee Experience Account is sufficient to fully fund such  
18           benefit on an actuarial basis, as determined by the system's actuary. If the legislative  
19           actuary disagrees with the determination of the system's actuary, a cost-of-living  
20           adjustment shall not be granted. ~~The board of trustees shall not grant a cost-of-living~~  
21           ~~adjustment unless such cost-of-living adjustment has been approved by the~~  
22           ~~legislature.~~ Any such cost-of-living adjustment granted on or before June 30, 2015,  
23           shall be limited to and shall only be payable based on an amount not to exceed  
24           eighty-five thousand dollars of the retiree's annual benefit. Any such cost-of-living  
25           adjustment granted on or after July 1, 2015, shall be limited to and shall only be  
26           payable based on an amount not to exceed sixty thousand dollars of the retiree's  
27           annual benefit. Effective for years after July 1, 2007, and on or before June 30,  
28           2015, the eighty-five thousand dollar limit shall be increased each year in an amount  
29           equal to the increase in the Consumer Price Index (United States city average for all

1 urban consumers (CPI-U)), as prepared by the United States Department of Labor,  
 2 Bureau of Labor Statistics, for the preceding calendar year, if any. ~~Effective on or~~  
 3 ~~after~~ Beginning July 1, 2015, 2028 the sixty-thousand dollar limit shall be increased  
 4 each year in an amount equal to ~~any~~ the increase, ~~if any,~~ in the consumer price index  
 5 (U.S. city average for all urban consumers (CPI-U)) for the twelve-month period  
 6 ending on the system's valuation date, ~~if any.~~ Any cost-of-living adjustment granted  
 7 pursuant to the provisions of this Section shall begin on July first following  
 8 ~~legislative board~~ approval, shall be payable annually, and shall be an amount equal  
 9 to the lesser of:

10 \* \* \*

11 F.(1) Notwithstanding any provision of this Section to the contrary, in a year  
 12 in which the experience account balance is insufficient to fund the amount required  
 13 pursuant to Paragraph (C)(1) of this Section, the board may ~~make the~~  
 14 ~~recommendation provided in Paragraph (C)(1) of this Section~~ grant a permanent  
 15 benefit increase in an amount provided for in Paragraph (2) of this Subsection if all  
 16 of the following conditions are satisfied:

17 \* \* \*

18 (e) The legislative auditor's actuary agrees with the determination of the  
 19 system's actuary regarding the sufficiency of funds for such an increase.

20 \* \* \*

21 G. Within ten days of authorizing payment of a cost-of-living adjustment  
 22 pursuant to this Section, the board of trustees shall submit a report to the House and  
 23 Senate committees on retirement containing the following information:

24 (1) The percentage increase granted to the qualifying retiree and beneficiary  
 25 benefits.

26 (2) The cost of the increase.

27 (3) The date the increase was approved by the board.

1             (4) The remaining balance in the system's experience account after payment  
2             of such increase.

3                                     \*       \*       \*

4             §1332. Employee Experience Account

5                                     \*       \*       \*

6             C.(1) In accordance with the provisions of this Section, the board of trustees  
7             may recommend to the president of the Senate and the speaker of the House of  
8             Representatives that the system be permitted to grant a cost-of-living adjustment to  
9             retirees and beneficiaries whenever the conditions in this Section are satisfied and  
10            the balance in the Employee Experience Account is sufficient to fully fund such  
11            benefit on an actuarial basis, as determined by the system's actuary. If the legislative  
12            actuary disagrees with the determination of the system's actuary, a cost-of-living  
13            adjustment shall not be granted. ~~The board of trustees shall not grant a cost-of-living~~  
14            ~~adjustment unless such cost-of-living adjustment has been approved by the~~  
15            ~~legislature.~~ Any such cost-of-living adjustment granted on or before June 30, 2015,  
16            shall be limited to and shall only be payable based on an amount not to exceed  
17            eighty-five thousand dollars of the retiree's annual benefit. Any such cost-of-living  
18            adjustment granted on or after July 1, 2015, shall be limited to and shall only be  
19            payable based on an amount not to exceed sixty thousand dollars of the retiree's  
20            annual benefit. Effective for years after July 1, 2007, and on or before June 30,  
21            2015, the eighty-five thousand dollar limit shall be increased each year in an amount  
22            equal to the increase in the consumer price index (United States city average for all  
23            urban consumers (CPI-U)), as prepared by the United States Department of Labor,  
24            Bureau of Labor Statistics, for the preceding calendar year, if any. ~~Effective on or~~  
25            ~~after~~ Beginning July 1, 2015, 2028, the sixty-thousand dollar limit shall be increased  
26            each year in an amount equal to ~~any~~ the increase, if any, in the consumer price index  
27            (U.S. city average for all urban consumers (CPI-U)) for the twelve-month period  
28            ending on the system's valuation date, ~~if any~~. Any adjustment granted pursuant to

CODING: Words in ~~struck through~~ type are deletions from existing law; words underscored are additions.

1 the provisions of this Section shall begin on July first following ~~legislative board~~  
2 approval, shall be payable annually, and shall be an amount equal to the lesser of:

3 \* \* \*

4 F. In addition to the cost-of-living adjustment authorized by Subsection C  
5 of this Section, the board of trustees may grant a supplemental cost-of-living  
6 adjustment to all retirees and beneficiaries who are at least age sixty-five, which  
7 shall consist of an amount equal to two percent of the benefit being received on the  
8 date of the adjustment. ~~In order to grant such supplemental cost-of-living~~  
9 ~~adjustment, the board of trustees shall recommend to the president of the Senate and~~  
10 ~~the speaker of the House of Representatives that the system be permitted to grant~~  
11 ~~such supplemental cost-of-living adjustment to retirees and beneficiaries whenever~~  
12 the balance in the Employee Experience Account is sufficient to fully fund such  
13 benefit on an actuarial basis, as determined by the system's actuary. If the legislative  
14 actuary disagrees with the determination of the system's actuary, such supplemental  
15 cost-of-living adjustment shall not be granted. ~~The board of trustees shall not grant~~  
16 ~~such supplemental cost-of-living adjustment unless such supplemental cost-of-living~~  
17 ~~adjustment has been approved by the legislature.~~ Any such supplemental  
18 cost-of-living adjustment paid on or before June 30, 2015, shall be limited to and  
19 shall only be payable based on an amount not to exceed eighty-five thousand dollars  
20 of the retiree's annual benefit. Any such supplemental cost-of-living adjustment paid  
21 on or after July 1, 2015, shall be limited to and shall only be payable based on an  
22 amount not to exceed sixty thousand dollars of the retiree's annual benefit. Effective  
23 on and after July 1, 2007, and on or before June 30, 2015, the eighty-five thousand  
24 dollar limit shall be increased each year in an amount equal to the increase, if any,  
25 in the consumer price index (United States city average for all urban consumers  
26 (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor  
27 Statistics, for the preceding calendar year, ~~if any.~~ Effective on and after July 1, ~~2015,~~  
28 2028, the sixty-thousand dollar limit shall be increased each year in an amount equal  
29 to the increase in the consumer price index (United States city average for all urban



1 consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau  
2 of Labor Statistics, for the twelve-month period ending on the system's valuation  
3 date, if any. Any cost-of-living adjustment granted pursuant to the provisions of this  
4 Subsection shall begin on July first following ~~legislative~~ board approval and shall be  
5 payable annually.

6 \* \* \*

7 G.(1) Notwithstanding any provision of this Section to the contrary, in a year  
8 in which the experience account balance is insufficient to fund the amount required  
9 pursuant to Paragraph (C)(1) of this Section, the board may ~~make the~~  
10 ~~recommendation provided in Paragraph (C)(1) of this Section~~ grant a permanent  
11 benefit increase in an amount provided for in Paragraph (2) of this Subsection if all  
12 of the following conditions are satisfied:

13 \* \* \*

14 (e) The legislative auditor's actuary agrees with the determination of the  
15 system's actuary regarding the sufficiency of funds for such an increase.

16 \* \* \*

17 H. Within ten days after authorizing payment of a cost-of-living adjustment  
18 pursuant to this Section, the board of trustees shall submit a report to the House and  
19 Senate committees on retirement containing the following information:

20 (1) The percentage increase granted to the qualifying retiree and beneficiary  
21 benefits.

22 (2) The cost of the increase.

23 (3) The date the increase was approved by the board.

24 (4) The remaining balance in the system's experience account after payment  
25 of such increase.

26 Section 2. This Act shall become effective upon signature by the governor or, if not  
27 signed by the governor, upon expiration of the time for bills to become law without signature  
28 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If

- 1 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
2 effective on the day following such approval.

## 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)]

HB 33 Original

2016 Regular Session

Jones

**Abstract:** Repeals requirement that benefit increases for retirees and beneficiaries of state retirement systems be approved by the legislature and authorizes the boards of trustees of such systems to pay the increases when requirements in present law are otherwise met.

Present law provides criteria and prerequisites for the payment of a permanent benefit increase (also known as a cost-of-living adjustment, hereafter "COLA") to qualifying retirees and beneficiaries of state retirement systems. Proposed law retains present law.

Present law provides that any COLA paid pursuant to present law will only be payable on the first \$60,000 of the retiree or beneficiary's benefit. Proposed law retains present law. Present law provides that for COLAs granted on or after July 1, 2015, the present law \$60,000 cap shall be indexed in accordance with the Consumer Price Index for Urban Consumers (CPI-U). Proposed law holds the cap at \$60,000 until July 1, 2028, at which time the indexing shall commence in accordance with the CPI-U as provided in present law.

Present law requires any proposal to grant a COLA to be approved by the legislature before the board may pay the increase. Proposed law removes the requirement that the legislature approve each COLA prior to payment. Authorizes the board of trustees of each system to pay a COLA when the prerequisites and criteria in present law are met. Further requires the board to submit a report to the House and Senate committees on retirement within 10 days after action to grant a COLA pursuant to proposed law. Provides that such report shall contain:

- (1) The cost of the increase.
- (2) The percentage by which each qualifying retiree and beneficiary's benefit will be increased.
- (3) The date the increase was approved by the board.
- (4) The remaining balance in the account used to fund such increase.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 11:542(C)(1)(intro. para.) and (G)(1)(intro. para.), 883.1(C)(1)(intro. para.), (F)(2), and (H)(1)(intro. para.), 1145.1(C)(1)(intro. para.) and (F)(1)(intro. para.), and 1332(C)(1)(intro. para.), (F), and (G)(1)(intro. para.); Adds R.S. 11:542(G)(1)(e) and (H), 883.1(H)(1)(e) and (I), 1145.1(F)(1)(e) and (G), and 1332(G)(1)(e) and (H))