

2016 Regular Session

HOUSE BILL NO. 49

BY REPRESENTATIVE IVEY

RETIREMENT BENEFITS: Provides relative to payment of the actuarial cost of certain future expansions or augmentations of a member's benefit

1 AN ACT

2 To amend and reenact R.S. 11:62(4)(b), (5)(a)(ii) and (iii), (b), (c)(ii), (e)(ii), and (g),

3 (10)(b), and (11), 102(B)(1) and (3)(a), (c), and (d)(vi)(aa)(I) and (viii)(aa)(I),

4 (C)(4)(a), (b)(i), and (c), and (D)(4)(a) through (c), and 102.3 and to enact R.S.

5 11:62(4)(c), (5)(a)(iv) and (v), (c)(iii), and (e)(iii), and (10)(c) and 102.4, relative to

6 the funding of benefits for new hires in state retirement systems; to provide relative

7 to certain costs of benefits for such new hires; to provide relative to the calculation

8 of employer and employee contributions for such members; and to provide for

9 related matters.

10 Notice of intention to introduce this Act has been published

11 as provided by Article X, Section 29(C) of the Constitution

12 of Louisiana.

13 Be it enacted by the Legislature of Louisiana:

14 Section 1. R.S. 11:62(4)(b), (5)(a)(ii) and (iii), (b), (c)(ii), (e)(ii), and (g), (10)(b),

15 and (11), 102(B)(1) and (3)(a), (c), and (d)(vi)(aa)(I) and (viii)(aa)(I), (C)(4)(a), (b)(i), and

16 (c), and (D)(4)(a) through (c) and 102.3 are hereby amended and reenacted and R.S.

17 11:62(4)(c), (5)(a)(iv) and (v), (c)(iii), and (e)(iii), and (10)(c) and 102.4 are hereby enacted

18 to read as follows:

1 §62. Employee contribution rates established

2 Employee contributions to state and statewide public retirement systems shall  
3 be paid at the following rates, except as otherwise provided by law:

4 \* \* \*

5 (4) Louisiana School Employees' Retirement System:

6 \* \* \*

7 (b) Employees whose first employment making them eligible for  
8 membership in one of the state systems occurred on or after July 1, 2010 and before  
9 July 1, 2017 - 8%.

10 (c) Employees whose first employment making them eligible for  
11 membership in one of the state systems occurred on or after July 1, 2017 - the  
12 amount calculated pursuant to R.S. 11:102.3.

13 (5) Louisiana State Employees' Retirement System:

14 (a) Judges, court officers, the governor, lieutenant governor and legislators:

15 \* \* \*

16 (ii) Employees, other than judges in Item (iii) of this Subparagraph, whose  
17 first employment making them eligible for membership in one of the state systems  
18 occurred on or after January 1, 2011 and before July 1, 2017 - 8%.

19 (iii) Judges holding positions specified in R.S. 11:553(1), (3) through (5),  
20 (7), and (10) through (15) whose first employment making them eligible for  
21 membership in one of the state systems occurred on or after January 1, 2011 and  
22 before July 1, 2017 - 13%.

23 (iv) Employees, other than judges in Item (iii) of this Subparagraph, whose  
24 first employment making them eligible for membership in one of the state systems  
25 occurred on or after July 1, 2017 - the amount calculated pursuant to R.S. 11:102.3.

26 (v) Judges holding positions specified in R.S. 11:553(1), (3) through (5), (7),  
27 and (10) through (15) whose first employment making them eligible for membership  
28 in one of the state systems occurred on or after July 1, 2017 - the amount calculated  
29 pursuant to R.S. 11:102.3.

1           (b)(i) ~~Public~~ Any public safety service employees referred to as "member"  
2           or "members" in R.S. 11:601(B); peace officers employed by the Department of  
3           Public Safety and Corrections, office of state police, other than state troopers, as  
4           provided in R.S. 11:444(A)(2)(b); and personnel employed by the Department of  
5           Revenue, office of alcohol and tobacco control, as provided in R.S. 11:444(A)(2)(c),  
6           whose first employment making them eligible for membership in one of the state  
7           systems occurred on or before June 30, 2017 - 9%.

8           (ii) Any public safety service employees referred to as "member" or  
9           "members" in R.S. 11:601(B); peace officers employed by the Department of Public  
10           Safety and Corrections, office of state police, other than state troopers, as provided  
11           in R.S. 11:444(A)(2)(b); and personnel employed by the Department of Revenue,  
12           office of alcohol and tobacco control, as provided in R.S. 11:444(A)(2)(c), whose  
13           first employment making them eligible for membership in one of the state systems  
14           occurred on or after July 1, 2017 - the amount calculated pursuant to R.S. 11:102.3.

15           (c) Clerk and sergeant at arms of the House of Representatives and Secretary  
16           and sergeant at arms of the Senate:

17   \*       \*       \*

18           (ii) Employees whose first employment making them eligible for  
19           membership in one of the state systems occurred on or after January 1, 2011 and  
20           before July 1, 2017 - 8%.

21           (iii) Employees whose first employment making them eligible for  
22           membership in one of the state systems occurred on or after July 1, 2017 - the  
23           amount calculated pursuant to R.S. 11:102.3.

24   \*       \*       \*

25           (e) All others:

26   \*       \*       \*

27           (ii) Employed on or after July 1, 2006 and before July 1, 2017 - 8%.

1 (iii) Employed on or after July 1, 2017 - the amount calculated pursuant to  
2 R.S. 11:102.3.

3 \* \* \*

4 (g)(i) "Members" of the Hazardous Duty Services Plan, as defined in R.S.  
5 11:612 whose first employment making them eligible for membership in one of the  
6 state systems occurred on or before June 30, 2017 - 9.5%.

7 (ii) "Members" of the Hazardous Duty Services Plan as defined in R.S.  
8 11:612 whose first employment making them eligible for membership in one of the  
9 state systems occurred on or after July 1, 2017 - the amount calculated pursuant to  
10 R.S. 11:102.3.

11 \* \* \*

12 (10) Louisiana State Police Retirement System:

13 \* \* \*

14 (b) Employees whose first employment making them eligible for  
15 membership in one of the state systems occurred on or after January 1, 2011 and  
16 before July 1, 2017 - 9.5%.

17 (c) Employees whose first employment making them eligible for  
18 membership in one of the state systems occurred on or after July 1, 2017 - the  
19 amount calculated pursuant to R.S. 11:102.3.

20 (11) Teachers' Retirement System of Louisiana:

21 (a)(i) "Members" of School lunch Plan A whose first employment making  
22 them eligible for membership in a state retirement system occurred on or before June  
23 30, 2017- 9.1%.

24 (ii) "Members" of School lunch Plan A whose first employment making  
25 them eligible for membership in a state system occurred on or after July 1, 2017 - the  
26 amount calculated pursuant to R.S. 11:102.3.

27 (b)(i) "Members" of School lunch Plan B whose first employment making  
28 them eligible for membership in a state system occurred on or before June 30, 2017  
29 - 5%.

1                   (ii) "Members" of School lunch Plan B whose first employment making  
2                   them eligible for membership in a state system occurred on or after July 1, 2017 - the  
3                   amount calculated pursuant to R.S. 11:102.3.

4                   (c)(i) All ~~others~~ other "members" whose first employment making them  
5                   eligible for membership in a state system occurred on or before June 30, 2017 - 8%.

6                   (ii) All other "members" whose first employment making them eligible for  
7                   membership in a state system occurred on or after July 1, 2017 - the amount  
8                   calculated pursuant to R.S. 11:102.3.

9   \*       \*       \*

10                   §102. Employer contributions; determination; state systems

11   \*       \*       \*

12                   B.(1) Except as provided in Subsection C of this Section for the Louisiana  
13                   State Employees' Retirement System and Subsection D of this Section for the  
14                   Teachers' Retirement System of Louisiana and except as provided in R.S. 11:102.1,  
15                   102.2, and in Paragraph (5) of this Subsection, for each fiscal year, commencing with  
16                   Fiscal Year 1989-1990, for each of the public retirement systems referenced in  
17                   Subsection A of this Section, the legislature shall set the required employer  
18                   contribution rate equal to the actuarially required employer contribution, as  
19                   determined under Paragraph (3) of this Subsection, divided by the total projected  
20                   payroll of all active members of each particular system or plan for the fiscal year.  
21                   Each entity funding a portion of a member's salary shall also fund the employer's  
22                   contribution on that portion of the member's salary at the employer contribution rate  
23                   specified in this Subsection.

24   \*       \*       \*

25                   (3) With respect to each state public retirement system, the actuarially  
26                   required employer contribution for each fiscal year, commencing with Fiscal Year  
27                   1989-1990, shall be that dollar amount equal to the sum of:

28                   (a) The employer's normal cost for that fiscal year, computed as of the first  
29                   of the fiscal year using the system's actuarial funding method as specified in R.S.

1 11:22 and taking into account the value of future accumulated employee  
 2 contributions and interest thereon and the requirements of R.S. 11:102.3, such  
 3 employer's normal cost rate multiplied by the total projected payroll for all active  
 4 members to the middle of that fiscal year. For the Louisiana State Employees'  
 5 Retirement System, effective for the June 30, 2010, system valuation and beginning  
 6 with Fiscal Year 2011-2012, the normal cost shall be determined in accordance with  
 7 Subsection C of this Section. For the Teachers' Retirement System of Louisiana,  
 8 effective for the June 30, 2011, system valuation and beginning with Fiscal Year  
 9 2012-2013, the normal cost shall be determined in accordance with Subsection D of  
 10 this Section.

11 \* \* \*

12 (c)(i) Except as provided in R.S. 11:102.1 and 102.2, that fiscal year's  
 13 payment, computed as of the first of that fiscal year and projected to the middle of  
 14 that fiscal year at the actuarially-assumed interest rate, necessary to amortize the  
 15 prior year's over or underpayment as a level dollar amount over a period of five  
 16 years.

17 (ii) Notwithstanding any provision of law to the contrary, any portion of an  
 18 overpayment of contributions that is attributable to employee contributions and that  
 19 is received on or after July 1, 2018, shall not be utilized in calculating the employer  
 20 contribution rate.

21 (d) That fiscal year's payment, computed as of the first of that fiscal year and  
 22 projected to the middle of that fiscal year at the actuarially assumed interest rate,  
 23 necessary to amortize changes in actuarial liability due to:

24 \* \* \*

25 (vi)(aa)(I) Except as provided in Subsubitem (ee)(II) of this Item, effective  
 26 July 1, 2004, and beginning with Fiscal Year 2000-2001, the amortization period for  
 27 the changes, gains, or losses of the Louisiana School Employees' Retirement System  
 28 provided in Items (i) through (iv) of this Subparagraph shall be thirty years, or in  
 29 accordance with standards promulgated by the Governmental Accounting Standards

1 Board, from the year in which the change, gain, or loss occurred. The outstanding  
 2 balances of amortization bases established pursuant to Items (i) through (iv) of this  
 3 Subparagraph before Fiscal Year 2000-2001, shall be amortized as a level dollar  
 4 amount from July 1, 2004, through June 30, 2029. Beginning with Fiscal Year 2003-  
 5 2004, and for each fiscal year thereafter, the outstanding balances of amortization  
 6 bases established pursuant to Items (i) through (iv) of this Subparagraph shall be  
 7 amortized as a level dollar amount. Beginning with Fiscal Year 2017-2018, and for  
 8 each fiscal year thereafter, the outstanding balances of amortization bases established  
 9 pursuant to Item (iv) of this Subparagraph shall also be calculated in accordance with  
 10 the provisions of R.S. 11:102.3.

11 \* \* \*

12 (viii)(aa)(I) Effective July 1, 2009, and beginning with Fiscal Year 1992-  
 13 1993, the amortization period for the changes, gains, or losses of the Louisiana State  
 14 Police Retirement System provided in Items (i) through (iv) of this Subparagraph  
 15 shall be thirty years, or in accordance with standards promulgated by the  
 16 Governmental Accounting Standards Board, from the year in which the change, gain,  
 17 or loss occurred. The outstanding balances of amortization bases established  
 18 pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year 2008-  
 19 2009, shall be amortized as a level dollar amount from July 1, 2009, through June 30,  
 20 2029. Beginning with Fiscal Year 2008-2009, and for each fiscal year thereafter, the  
 21 outstanding balances of amortization bases established pursuant to Items (i) through  
 22 (iv) of this Subparagraph shall be amortized as a level dollar amount. Beginning  
 23 with Fiscal Year 2017-2018, and for each fiscal year thereafter, the outstanding  
 24 balances of amortization bases established pursuant to Item (iv) of this Subparagraph  
 25 shall also be calculated in accordance with the provisions of R.S. 11:102.3.

26 \* \* \*

27 C.

28 \* \* \*

1 (4) For each plan referenced in Paragraph (1) of this Subsection, the  
2 legislature shall set the required employer contribution rate equal to the sum of the  
3 following:

4 (a) The particularized normal cost rate. The normal cost rate for each fiscal  
5 year shall be the employer's normal cost for the plan computed by applying the  
6 method specified in R.S. 11:102(B)(1)~~2~~ and (3)(a), and R.S. 11:102.3 to the plan.

7 (b) The shared unfunded accrued liability rate. (i) Except as provided in  
8 Item (ii) of this Subparagraph, a single rate shall be computed for each fiscal year,  
9 applicable to all plans for actuarial changes, gains, and losses existing on June 30,  
10 2010, or occurring thereafter, including experience and investment gains and losses,  
11 which are independent of the existence of the plans listed in Paragraph (1) of this  
12 Subsection, the payment and rate therefor shall be calculated as provided in  
13 Paragraphs (B)(1) and (3) of this Section and R.S. 11:102.3.

14 \* \* \*

15 (c) The particularized unfunded accrued liability rate. For actuarial changes,  
16 gains, and losses, excluding experience and investment gains and losses, first  
17 recognized in the June 30, 2010, valuation or in any later valuation, attributable to  
18 one or more, but not all, plans listed in Paragraph (1) of this Subsection or to some  
19 new plan or plans, created, implemented, or enacted after July 1, 2010, a  
20 particularized contribution rate shall be calculated as provided in Paragraphs (B)(1)  
21 and (3) of this Section and R.S. 11:102.3.

22 \* \* \*

23 D.

24 \* \* \*

25 (4) For each plan referenced in Paragraph (1) of this Subsection, the  
26 legislature shall set the required employer contribution rate equal to the sum of the  
27 following:

28 (a) The particularized normal cost rate. The normal cost rate for each fiscal  
29 year shall be the employer's normal cost for employees in the plan computed by



1 applying the method specified in Paragraph (B)(1) and Subparagraph (B)(3)(a) of  
2 this Section and R.S. 11:102.3 to the plan.

3 (b) The shared unfunded accrued liability rate. A single rate shall be  
4 computed for each fiscal year, applicable to all plans for actuarial changes, gains, and  
5 losses existing on June 30, 2011, or occurring thereafter, including experience and  
6 investment gains and losses, which are independent of the existence of the plans  
7 listed in Paragraph (1) of this Subsection, the payment and rate therefor shall be  
8 calculated as provided in Paragraphs (B)(1) and (3) of this Section and R.S.  
9 11:102.3.

10 (c) The particularized unfunded accrued liability rate. For actuarial changes,  
11 gains, and losses, excluding experience and investment gains and losses, first  
12 recognized in the June 30, 2011, valuation or in any later valuation, attributable to  
13 one or more, but not all, plans listed in Paragraph (1) of this Subsection or to some  
14 new plan or plans, created, implemented, or enacted after July 1, 2011, a  
15 particularized contribution rate shall be calculated as provided in Paragraphs (B)(1)  
16 and (3) of this Section and R.S. 11:102.3.

17 \* \* \*

18 §102.3. Contribution rates for members hired on or after July 1, 2017

19 A. For the purposes of this Section, the following terms shall have the  
20 following meanings, unless another meaning is clearly required by context:

21 (1) "New member" shall mean any member of a state retirement system  
22 whose first employment making him eligible for membership in a state system  
23 occurred on or after July 1, 2017.

24 (2) "Tier" shall mean any formal subset of new members classified by  
25 similar benefit provisions.

26 B. Notwithstanding any provision of law to the contrary, new members shall  
27 share the following costs equally with their employer:

28 (1) The normal cost of the new member's benefit.

1           (2) Any change in the normal cost attributable to an augmentation of the new  
2           member's benefit.

3           (3) Any change in unfunded accrued liability attributable to an augmentation  
4           of the new member's benefit during his period of active service.

5           C. For each tier, the dollar amount of costs provided for in Subsection B of  
6           this Section shall be calculated each year by adding together the following:

7                   (1) The normal cost for the new members in such tier.

8                   (2) That fiscal year's payment, computed as of the first of that fiscal year and  
9                   projected to the middle of that fiscal year at the actuarially-assumed interest rate and  
10                  using the amortization method specified in R.S. 11:22, necessary to amortize the  
11                  unfunded accrued liability attributable to any augmentation of benefits for new  
12                  members in such tier.

13                  (3) That fiscal year's payment, computed as of the first of that fiscal year and  
14                  projected to the middle of that fiscal year at the actuarially-assumed interest rate,  
15                  necessary to amortize the prior year's over or underpayment of employee  
16                  contributions as a level dollar amount over a period of five years.

17           D. Employee contributions for each tier shall be calculated each year by  
18           dividing one half of the dollar amount total from Subsection C of this Section by the  
19           projected payroll of all new members in the tier.

20           E. Except as provided in this Section, employer contributions shall be  
21           calculated as otherwise provided in R.S. 11:102.

22           §102.4. Review of volatility

23           Following the close of Fiscal Year 2018-2019, the future volatility of the  
24           then-existing schedules of each state system shall be reexamined by staff of each  
25           system and of the legislature, including actuaries for both. The results of this  
26           reexamination, which may identify issues to be resolved and include  
27           recommendations for plan amendments, shall be reported to the Public Retirement  
28           Systems' Actuarial Committee by November 1, 2019. The committee shall review  
29           the results and determine what changes to the system plan provisions, if any, are

1           advisable. If appropriate, the committee shall make a recommendation to the  
2           legislature on whether and what type of legislation is warranted.

3           Section 2. As soon as practicable after the effective date of this Act, the Public  
4 Retirement Systems' Actuarial Committee shall meet to adopt a revised valuation for each  
5 state retirement system which shall include employee and employer contribution rates  
6 prepared as provided in this Act to be utilized in the fiscal year which begins on July 1,  
7 2017.

8           Section 3. This Act shall take effect and become operative if and when the proposed  
9 amendment of Article X of the Constitution of Louisiana contained in the Act which  
10 originated as House Bill No. \_\_\_\_ of this 2016 Regular Session of the Legislature is adopted  
11 at a statewide election and becomes effective.

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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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HB 49 Original

2016 Regular Session

Ivey

**Abstract:** Requires members of state retirement systems first hired on or after July 1, 2017, to share certain retirement costs equally with employers.

Present law establishes the state retirement systems—the La. State Employees' Retirement System (LASERS), the Teachers' Retirement System of La. (TRSL), the La. School Employees' Retirement System (LSERS), and the State Police Retirement System (STPOL)—and establishes rates of employee and employer contributions to cover the costs of such systems. Proposed law retains present law.

Present law establishes two main components of a state retirement system's costs:

- (1) The normal cost (NC), which is generally the cost of the benefit the member accrued that year.
- (2) The cost of debt payments.

Proposed law retains present law.

Present law (R.S. 11:62) establishes a set rate for employee contributions, which varies depending on retirement system, date of hire, and plan provisions. For example, rank-and-file members in LASERS, TRSL, and LSERS first hired on or after Jan. 1, 2011, pay 8% of their pay in employee contributions. Members of STPOL and Hazardous Duty members of LASERS first hired on or after Jan. 1, 2011, pay 9.5% of their pay in employee contributions. The amount that employees are required to pay pursuant to present law covers part of the NC, regardless of the amount being paid and the plan the member belongs to. The employer contribution is calculated to cover the remaining portion of the NC and all of the debt payment costs for that year.

Proposed law (R.S. 11:102.3) provides that for a member of a state retirement system whose first date of employment making him eligible for membership in a state system occurred on or after July 1, 2017, the member must pay half of his NC and half of the cost of debts attributable to an augmentation of the member's benefit during his period of active service.

Present law (R.S. 11:102) requires that any over or underpayment of contributions be amortized as a credit or debit against the employer contribution rate calculation over a five-year period. Proposed law prohibits the inclusion of any amounts attributable to employee contributions to be utilized in this calculation, beginning July 1, 2018. Further requires that any over or underpayment of employee contributions received on or after July 1, 2018, be calculated and factored into the employee contribution rate calculation as a credit or debit over a five-year period with level-dollar payments.

Proposed law requires the Public Retirement Systems' Actuarial Committee to meet as soon as practicable after proposed law becomes effective and to adopt revised valuations for each state retirement system containing employee and employer contribution rates calculated pursuant to proposed law to be utilized in the fiscal year beginning July 1, 2017.

Effective if and when the proposed amendment of Article X of the Constitution of La. contained in the Act which originated as House Bill No. \_\_\_ of this 2016 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 11:62(4)(b), (5)(a)(ii) and (iii), (b), (c)(ii), (e)(ii), and (g), (10)(b), and (11), 102(B)(1) and (3)(a), (c), and (d)(vi)(aa)(I) and (viii)(aa)(I), (C)(4)(a), (b)(i), and (c), and (D)(4)(a) - (c), and 102.3; Adds R.S. 11:62(4)(c), (5)(a)(iv) and (v), (c)(iii), and (e)(iii), and (10)(c) and 102.4)