



2013 Regular Legislative Session Update No. 5 April 25, 2013

Provided below is a list of bills being considered during the Regular Legislative Session dealing with retirement issues. Since the last issue of the update, the LRTA Executive Board took official LRTA positions on the bills and resolutions. The legislature has also taken action on some of the items listed. The LRTA positions are provided behind the bullet point just under the description of the bill, and actions taken by the legislature are provided in red.

House Bill No. 35 by Representative Regina A. Barrow

This bill allows members of the Louisiana State Employees' Retirement System and the Teachers' Retirement System of Louisiana who are employed by a state hospital, and whose jobs are affected by a layoff plan approved by the Civil Service Commission or by the director of the Department of Civil Service, to retire with 25 years of service at any age without any actuarial reduction in the benefit resulting from early retirement. The effective date of the legislation is June 7, 2013, or on the day following approval by the legislature, whichever is later. The bill sunsets after three years.

- LRTA opposes this bill because of the actuarial cost impact it could have on the operations of the Teachers' Retirement System of Louisiana.

This bill was deferred by the House Retirement Committee on April 25, 2013.

House Bill No. 57 by Representative J. Kevin Pearson

This bill provides for funding and benefit computation for the four state retirement systems:
Louisiana State Employees' Retirement System
Teachers' Retirement System of Louisiana
Louisiana School Employees' Retirement System
Louisiana State Police Retirement System

Beginning July 1, 2015, all members of each of the retirement systems shall pay an additional 1.0% of salary to their respective system.

Beginning July 1, 2017, all members of each of the retirement systems shall pay an additional 1.0% of salary to their respective system.

The bill also provides for a five-year (60-month) final average compensation period for the computation of benefits, and a minimum employer contribution rate of 15.0% until the system is at least 90.0% funded. The effective date of the legislation is January 1, 2014.

- LRTA opposes this bill because of the constitutional questions it presents for those members who are already contributing to the retirement system and especially to those members who are vested.

House Bill No. 60 by Representative M. “Kirk” Talbot

This bill requires retirees of all public employee retirement systems, who retire on or after July 1, 2013, to suspend benefits if they return to work in a position covered by a public employee retirement plan. The effective date of the legislation is July 1, 2013.

- LRTA opposes this bill because of the limits it places on retirees who return to work in public employment.

This bill was changed by amendments adopted by the House Retirement Committee on April 25, 2013 to create a substitute bill. The provisions regarding returning to work have been removed from the legislation. The bill now applies to the removal of membership options for non-public entities from the four state wide retirement systems.

- LRTA has no position on the new legislation contained in the substitute bill.

House Bill No. 61 by Representative Austin J. Badon, Jr.

This bill provides for a divided benefit for an employee of a state or statewide retirement system whose salary increases by more than 30.0% when comparing one month’s earnings to the previous 12 months. The divided benefit shall be the sum of: Total years of service prior to the 30.0% or greater increase in monthly earnings, times final average compensation at the appropriate accrual rate, and total years if service on or after the 30.0% increase occurs times final average compensation at the appropriate accrual rate. The effective date of the legislation is upon signature by the governor or upon expiration of the time for bills to become law without signature by the governor.

- LRTA opposes this bill because it reduces the benefit that would ordinarily be received under the current method of benefit computation utilized by the Teachers’ Retirement System of Louisiana.

This bill was deferred by the House Retirement Committee on April 25, 2013.

House Concurrent Resolution No. 2 by Representative Joseph A. Harrison

This resolution suspends for one year the provisions of law regarding the implementation of the cash balance plan.

- LRTA supports the resolution.

This resolution was passed by the House Retirement Committee on April 25, 2013.

House Concurrent Resolution No. 40 by Representative Joseph Harrison and Senator Barrow Peacock

This resolution memorializes the U. S. Congress to consider reducing or repealing the Government Pension Offset and the Windfall Elimination provisions affecting the payment of Social Security Benefits.

- LRTA supports the resolution.

This resolution was passed by the House of Representatives on April 9, 2013, and passed by the Senate on April 10, 2013.

Senate Bill No. 4 by Senator Elbert L. Guillory

This bill provides for the use of the entry age normal valuation method by the Louisiana State Employees' Retirement System and by the Teachers' Retirement System of Louisiana rather than the projected unit credit method currently used by both retirement systems. The effective date of the legislation is June 30, 2013.

- LRTA supports this bill to address uniform reporting requirements for public pension plans being put forward by the Government Accounting Standards Board.

This bill was passed by the Senate Retirement Committee with amendments on April 15, 2013. The amendments recommend actions to be taken by LASERS and TRSL in implementing this change in the actuarial methodology for the two retirement systems. The amendments also set the actuarial rate of return for computing deposits into the systems' Employee Experience Accounts at 8.25%.

Senate Bill No. 7 by Senator Barrow Peacock

This bill provides that all state and statewide retirement systems use a 60-month final average compensation period for the calculation of benefits. The bill also sets 15.0% as the maximum anti-spiking threshold for all members. The calculation for final average compensation shall not exceed 115% of compensation used for the preceding 12 months in the calculation of benefits. The provisions of the bill become effective January 1, 2014. The effective date of the legislation is July 1, 2013.

- LRTA opposes this bill because of the constitutional questions it presents for those members who are already contributing to the retirement system and especially to those members who are vested.

This bill was deferred by the Senate Retirement Committee on April 22, 2013.

Senate Bill No. 11 by Senator Elbert L. Guillory

This bill provides for permanent post-retirement benefit increases for members of the four state retirement systems. The bill implements a 3.0% increase in employee contributions for all active, contributing members of the systems. In order to receive the increases, retirees must have been receiving a benefit for at least five years, and must have reached age 65 on or before June 30, 2013. The increase will be paid on the first \$50,000 of benefits received in any given year. This limit will be adjusted after July 1, 2019 by an increased amount equal to increases, if any, provided to persons receiving old age, survivors or disability insurance benefits from the Social Security Administration for the 24 month period ending on the September 30 immediately preceding the permanent benefit increase.

Benefit increases will be paid on July 1 of each odd-numbered calendar year beginning on July 1, 2013. The benefit increase proposed by the bill is 1.0% or the lesser of 2.0% or the percent increase necessary to preserve 80.0% of the purchasing power of the benefit as of June 30, 2013 or the retirement date, if later. Determination of the diminution of purchasing power shall be computed using the increase, if any, provided to persons receiving old age, survivors and disability insurance benefits from the Social Security Administration for the period beginning on September 30 of the year of retirement and

ending on September 30 immediately preceding the payment of the permanent benefit increase.

The bill provides for “employer funded” increases for those with service credit on or before July 1, 2013, for “employee funded” increases for those with service credit on or after July 1, 2013, and for “additive” increases for those who have service accrued prior to July 1, 2013 and service that will accrue on or after July 1, 2013. The bill also provides for a 60-month final average compensation computation period for all members. The increase in this time frame from 36 months shall be transitioned beginning July 1, 2014 and continued in one-month increments through June 30, 2016. The effective date of the legislation is June 30, 2013.

- LRTA supports every effort to provide benefit increases to retired educators, but opposes the method by which this bill funds those increases. LRTA also opposes the change in final average compensation because of the constitutional questions it presents for those members who are already contributing to the retirement system, and especially to those members who are vested.

Senate Bill No. 17 by Elbert L. Guillory

This bill dedicates 2.0% of state revenue collections that are in excess of revenue collected during FY 2011-2012 to the liquidation of unfunded accrued liabilities of the four state retirement systems, and to the funding of benefit increases for retirees of these systems. The dedicated excess revenue shall be deposited into a newly created State Retirement Fund. State Retirement Fund deposits shall be allocated as follows:

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| Louisiana State Employees’ Retirement System | 37.0% |
| Teachers’ Retirement System of Louisiana | 56.7% |
| Louisiana School Employees’ Retirement System | 4.5% |
| Louisiana State Police Retirement System | 1.8% |

First, 80.0% of the monies allocated to the retirement systems from the fund shall be applied to addressing the Initial Unfunded Accrued Liability amortization base; second, to the Employee Experience Account amortization base, if any; and third, to the balance of the oldest outstanding amortization base. The remaining 20.0% shall be credited to the Employee Experience Account. The effective date of the legislation is June 30, 2013.

- LRTA supports this bill. It creates a continuing source of funding to address the unfunded accrued liabilities of the retirement systems and a funding source for future benefit increases.

Senate Concurrent Resolution No. 1 by Senator Patrick “Page” Cortez

This resolution suspends for one year the provisions of law regarding the implementation of the cash balance plan.

- LRTA supports the resolution.

This resolution was passed by the Senate Retirement Committee on April 22, 2013.