



## 2014 Regular Legislative Session Update—Final June 25, 2014

At the beginning of the 2014 Regular Session, LRTA listed 34 pieces of legislation it would be monitoring on your behalf. Updates were provided each week of the session indicating actions taken by the legislature on the proposals. Legislation that was passed by the Louisiana legislature that affects active and retired members of the Teachers' Retirement System of Louisiana and the administration of the retirement system is listed below.

### PERMANENT BENEFIT INCREASES

#### House Bill No. 1225 by Representative Joel Robideaux

This bill alters the current funding mechanism for the Experience Accounts held at the four state retirement systems. The bill also alters the payment mechanism and frequency of future PBIs. The bill requires that the state retirement systems increase amounts of excess investment income to payments on the outstanding debts of the retirement systems and restricts the creation of additional system liabilities by limiting the frequency of benefit increases to be provided from the Experience Accounts.

Future allocations of excess investment income to the payment of retirement system debt will be indexed each year by the percentage increase in the actuarial value of the assets of the system. The proposed legislation allows for the funding of future PBIs in the following manner:

A benefit increase funded by the account is limited to the lesser of the following:

1. The CPI-U for the twelve month period ending on the system's valuation date.
2.
  - a. If the system is 85% funded or greater, 3%. **(Amended to 80%.)**
  - b. If the system is at least 75% funded but less than 85% **(Amended to 80%)** funded and the legislature has not granted a benefit increase in the preceding year, 2.5%.
  - c. If the system is at least 65% funded but less than 75% funded and the legislature has not granted a benefit increase in the preceding year, 2%.
  - d. If the system is at least 55% funded but less than 65% funded and the legislature has not granted a benefit increase in the preceding year, 1.5%.
  - e. If the system is less than 55% funded, no benefit increase shall be granted.

No benefit increase may be granted in any year the retirement system is 80% funded and the system does not meet its actuarially assumed rate of return of 8.0%.

Benefit increases granted after July 1, 2015 shall be calculated on the first \$60,000 of a retiree's annual benefit. Eligible retirees will have to be age 60 and retired for at least one year before the increase is paid, and beneficiaries will be eligible for the increase if

the deceased retiree would have met these eligibility requirements. The bill must be enacted into law in order for the PBI legislation (Senate Bill No. 21) to become effective.

LRTA will closely monitor this legislation.

Passed by the House Retirement Committee with amendments on April 24, 2014. Passed by the House of Representatives with amendments on May 6, 2014. Amendments address changes in the amortization schedule for UAL payments, and allow for the granting of a 3.0% PBI when TRSL is 80% funded. The original bill did not allow a 3.0% PBI until TRSL was 85% funded. Passed by the Senate Retirement Committee on May 12, 2014. Passed by the Senate on May 19, 2014. Enrolled and sent to the governor.

Becomes Act No. 399 of 2014.

Senate Bill No. 21 by Senator Elbert Guillory and others

This bill provides for the payment of a 1.5% permanent benefit increase out of the balance on deposit in the Experience Account to eligible members of the Teachers' Retirement System of Louisiana to begin on July 1, 2014. The benefit increase will be provided to those individuals receiving a benefit from TRSL who have been retired for at least 12 months, and who are at least age 60, on June 30, 2014. The benefit increase will be applied to the first \$93,755 of the annual benefit currently received from TRSL. The benefit increase will also be paid to disability retirees and to the beneficiaries of retirees and disability retirees who would have met the above stated eligibility requirements.

LRTA will support this legislation.

Amended by the Senate Retirement Committee on March 24, 2014 to include language granting the PBI to eligible TRSL retirees and their beneficiaries contingent upon the granting of the PBI to eligible retirees of the Louisiana State Employees' Retirement System, the Louisiana School Employees' Retirement System, and the Louisiana State Police Retirement System. The bills granting the PBI to eligible retirees of the other three state retirement systems were also amended to include similar language. Passed by the Senate Retirement Committee on March 24, 2014.

Passed by the Senate Finance Committee on March 31, 2014.

Passed by the Senate on April 2, 2014 with an amendment which states the PBI will not be paid unless the provisions of House Bill No. 1225 are enacted into law. A description of House Bill No. 1225 is provided above.

Passed by the House Retirement Committee on April 24, 2014.

Passed by the House of Representatives on May 13, 2014. Enrolled and sent to the governor.

Becomes Act No. 104 of 2014.

## RETIREMENT SYSTEM ADMINISTRATION

### Senate Bill No. 13 by Senator Barrow Peacock

This bill provides for the use of the entry age normal actuarial valuation method for the Louisiana State Employees' Retirement System and for the Teachers' Retirement System of the Louisiana. The current valuation method utilized by both systems is the projected unit credit method.

LRTA has no position on this legislation.

Passed by the Senate Retirement Committee on March 31, 2014. Passed by the Senate April 2, 2014. Passed by the House Retirement Committee on May 19, 2014. Passed by the House of Representatives on May 29, 2014. Enrolled and sent to the governor.

Becomes Act No. 571.

### Senate Bill No. 20 by Senator Elbert Guillory

This bill provides for necessary technical corrections to existing statutory provisions to allow the Teachers' Retirement System of Louisiana to maintain compliance with regulations regarding tax-qualified defined benefit public pension plans that are promulgated by the Internal Revenue Service.

LRTA will support this legislation.

Passed by the Senate Retirement Committee on March 17, 2014. Passed by the Senate on March 19, 2014. Passed by the House Retirement Committee on May 7, 2014. Passed by the House of Representatives on May 27, 2014. Passed by the House of Representatives on May 27, 2014. Enrolled and sent to the governor.

Becomes Act No. 727.

## RETIREMENT SYSTEM MEMBERSHIP

### House Bill No. 38 by Representative J. Kevin Pearson

This bill increases the eligible age for retiring from the Teachers' Retirement System of Louisiana from age 60 to age 62. The new age eligibility requirement will be applied to members joining the system on or after July 1, 2014.

LRTA has no position on this legislation.

Voluntarily deferred by the author during House Retirement Committee proceedings on March 20, 2014. Passed by the House Retirement Committee on April 10, 2014. Passed by the House of Representatives on April 21, 2014. Passed by the Senate Retirement Committee on April 28, 2014 with an amendment to implement the legislation on July 1, 2015 rather than on July 1, 2014. Passed by the Senate on May 6, 2014. House concurred in the Senate amendments on May 13, 2014. Enrolled and sent to the governor.

Becomes Act No. 226 of 2014.

OPTIONAL RETIREMENT PLAN FOR HIGHER EDUCATION EMPLOYEES

House Bill No. 6 by Representative J. Kevin Pearson

This bill establishes a minimum employer contribution rate for the Optional Retirement Plan offered by the Teachers' Retirement System of Louisiana to certain employees of the state's institutions of higher education. The rate is set at the greater of the regular plan normal cost or 6.25% of pay.

LRTA has no position on this legislation.

Voluntarily deferred by the author during House Retirement Committee proceedings on March 13, 2014. Amended and passed by the House Retirement Committee on March 27, 2014. Passed by the House of Representatives on April 7, 2014. Passed by the Senate Retirement Committee on April 28, 2014. Voluntarily deferred by the author during Senate Finance Committee proceedings on May 7, 2014. Passed by the Senate Finance Committee on May 12, 2014. Passed by the Senate on May 15, 2014. Senate amendments concurred in by the House of Representatives on May 21, 2014. Enrolled and sent to the governor.

Becomes Act No. 607.

Social Security Administration Offsets

House Concurrent Resolution No. 33 by Representative Henry Burns

This resolution memorializes the U. S. Congress to consider eliminating the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) Social Security benefit reductions.

LRTA will support this resolution.

Passed by the House of Representatives on March 25, 2014. Passed by the Senate on May 28, 2014.

Senate Concurrent Resolution No. 5 by Senator Elbert Guillory

This resolution memorializes the U. S. Congress to reduce or eliminate the reductions mandated by federal law, the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP), applicable to social security benefits for those receiving public retirement system benefits.

LRTA will support this resolution.

Passed by the Senate Retirement Committee on March 31, 2014. Passed by the Senate on April 1, 2014. Passed by the House Retirement Committee on May 15, 2014. Passed by the House of Representatives on May 27, 2014.