

Regular Session, 2012

HOUSE BILL NO. 61

BY REPRESENTATIVE PEARSON

RETIREMENT/STATE SYSTEMS: Provides for a cash balance plan for certain state employees

1 AN ACT

2 To amend and reenact R.S. 11:62(4)(introductory paragraph), (5)(introductory paragraph),  
3 and (11)(introductory paragraph), 102(B)(1) and (3)(a) and (d)(v), (vi), and (vii),  
4 542(A)(2)(a), 883.1(A)(2)(a), and 1145.1(A)(1)(introductory paragraph) and (a),  
5 (C)(4)(a)(introductory paragraph), and (E), and to enact R.S. 11:62(4.1), (5.1), and  
6 (11.1), 102(C)(1)(m), 542(C)(4)(d)(iii) and (e)(iii), 883.1(C)(4)(d)(iii) and (e)(iii),  
7 1145.1(C)(4)(a)(iii) and (b)(iii), and Chapter 7 of Subtitle II of Title 11 of the  
8 Louisiana Revised Statutes of 1950, to be comprised of R.S. 11:1399.1 through  
9 1399.7, relative to state retirement systems; to create a cash balance plan in certain  
10 state systems; to provide for contributions, credits, eligibility, and benefits; to  
11 provide for an effective date; and to provide for related matters.

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

15 Be it enacted by the Legislature of Louisiana:

16 Section 1. R.S. 11:62(4)(introductory paragraph), (5)(introductory paragraph), and  
17 (11)(introductory paragraph), 102(B)(1) and (3)(a) and (d)(v), (vi), and (vii), 542(A)(2)(a),  
18 883.1(A)(2)(a), and 1145.1(A)(1)(introductory paragraph) and (a), (C)(4)(a)(introductory  
19 paragraph), and (E) are hereby amended and reenacted and R.S. 11:62(4.1), (5.1), and (11.1),  
20 102(C)(1)(m), 542(C)(4)(d)(iii) and (e)(iii), 883.1(C)(4)(d)(iii) and (e)(iii),

1 1145.1(C)(4)(a)(iii) and (b)(iii), and Chapter 7 of Subtitle II of Title 11 of the Louisiana  
2 Revised Statutes of 1950, comprised of R.S. 11:1399.1 through 1399.7, are hereby enacted  
3 to read as follows:

4 §62. Employee contribution rates established

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

7 \* \* \*

8 (4) Louisiana School Employees' Retirement System members in Tier 1:

9 \* \* \*

10 (4.1) Louisiana School Employees' Retirement System members in the cash  
11 balance plan - 8%.

12 \* \* \*

13 (5) Louisiana State Employees' Retirement System members in Tier 1:

14 \* \* \*

15 (5.1) Louisiana State Employees' Retirement System members in the cash  
16 balance plan - 8%.

17 \* \* \*

18 (11) Teachers' Retirement System of Louisiana members in Tier 1:

19 \* \* \*

20 (11.1) Teachers' Retirement System of Louisiana members in the cash  
21 balance plan - 8%.

22 \* \* \*

23 §102. Employer contributions; determination; state systems

24 \* \* \*

25 B.(1) Except as provided in Subsection C of this Section for the Louisiana  
26 State Employees' Retirement System and except as provided in R.S. 11:102.1 and  
27 102.2 and in Paragraph (5) of this Subsection, for each fiscal year, commencing with  
28 Fiscal Year 1989-1990, for each of the public retirement systems referenced in  
29 Subsection A of this Section, the legislature shall set the required employer

1 contribution rate equal to the actuarially required employer contribution, as  
2 determined under Paragraph (3) of this Subsection, divided by the total projected  
3 payroll of all active members including cash balance plan members of each  
4 particular system for the fiscal year. Each entity funding a portion of a member's  
5 salary shall also fund the employer's contribution on that portion of the member's  
6 salary at the employer contribution rate specified in this Subsection.

7 \* \* \*

8 (3) With respect to each state public retirement system, the actuarially  
9 required employer contribution for each fiscal year, commencing with Fiscal Year  
10 1989-1990, shall be that dollar amount equal to the sum of:

11 (a) The employer's normal cost for that fiscal year, computed as of the first  
12 of the fiscal year using the system's actuarial funding method as specified in R.S.  
13 11:22 and taking into account the value of future accumulated employee  
14 contributions and interest thereon, such employer's normal cost rate multiplied by the  
15 total projected payroll for all active members including cash balance plan members  
16 to the middle of that fiscal year. For the Louisiana State Employees' Retirement  
17 System, effective for the June 30, 2010, system valuation and beginning with Fiscal  
18 Year 2011-2012, the normal cost shall be determined in accordance with Subsection  
19 C of this Section.

20 \* \* \*

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 (v) Effective July 1, 2004, and beginning with Fiscal Year 1998-1999, the  
26 amortization period for the changes, gains, or losses of the Louisiana State  
27 Employees' Retirement System provided in Items (i) through (iv) of this  
28 Subparagraph shall be thirty years, or in accordance with standards promulgated by  
29 the Governmental Accounting Standards Board, from the year in which the change,

1 gain, or loss occurred. The outstanding balances of amortization bases established  
2 pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year  
3 1998-1999, shall be amortized as a level dollar amount from July 1, 2004, through  
4 June 30, 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year  
5 thereafter, the outstanding balances of amortization bases established pursuant to  
6 Items (i) through (iv) of this Subparagraph and for any changes, gains, or losses  
7 attributable to the cash balance plan shall be amortized as a level dollar amount. For  
8 the Louisiana State Employees' Retirement System, effective for the June 30, 2010,  
9 system valuation and beginning with Fiscal Year 2011-2012, amortization payments  
10 for changes in actuarial liability shall be determined in accordance with Subsection  
11 C of this Section.

12 (vi) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the  
13 amortization period for the changes, gains, or losses of the Louisiana School  
14 Employees' Retirement System provided in Items (i) through (iv) of this  
15 Subparagraph and for any changes, gains, or losses attributable to the cash balance  
16 plan shall be thirty years, or in accordance with standards promulgated by the  
17 Governmental Accounting Standards Board, from the year in which the change, gain,  
18 or loss occurred. The outstanding balances of amortization bases established  
19 pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year 2000-  
20 2001, shall be amortized as a level dollar amount from July 1, 2004, through June 30,  
21 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the  
22 outstanding balances of amortization bases established pursuant to Items (i) through  
23 (iv) of this Subparagraph shall be amortized as a level dollar amount.

24 (vii) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the  
25 amortization period for the changes, gains, or losses of the Teachers' Retirement  
26 System of Louisiana provided in Items (i) through (iv) of this Subparagraph and for  
27 any changes, gains, or losses attributable to the cash balance plan shall be thirty  
28 years, or in accordance with standards promulgated by the Governmental Accounting  
29 Standards Board, from the year in which the change, gain, or loss occurred. The

1 outstanding balances of amortization bases established pursuant to Items (i) through  
2 (iv) of this Subparagraph before Fiscal Year 2000-2001, shall be amortized as a level  
3 dollar amount from July 1, 2004, through June 30, 2029. Beginning with Fiscal Year  
4 2003-2004, and for each fiscal year thereafter, the outstanding balances of  
5 amortization bases established pursuant to Items (i) through (iv) of this Subparagraph  
6 shall be amortized as a level dollar amount.

7 \* \* \*

8 C.(1) This Subsection shall be applicable to the Louisiana State Employees'  
9 Retirement System effective for the June 30, 2010, system valuation and beginning  
10 Fiscal Year 2011-2012. For purposes of this Subsection, "plan" or "plans" shall  
11 mean a subgroup within the system characterized by the following employee  
12 classifications:

13 \* \* \*

14 (m) Members in the cash balance plan.

15 \* \* \*

16 §542. Experience account

17 A.

18 \* \* \*

19 (2) The experience account shall be credited as follows:

20 (a) To the extent permitted by Paragraph (3) of this Subsection and after  
21 allocation to the consolidated amortization bases as provided in R.S. 11:102.1, an  
22 amount not to exceed fifty percent of the remaining balance of the prior year's net  
23 investment experience gain attributable to Tier 1 assets as determined by the system's  
24 actuary.

25 \* \* \*

26 C.

27 \* \* \*

28 (4)

29 \* \* \*

1 (d) Except as provided in Subparagraph (c) of this Paragraph, in order to be  
2 eligible for any permanent benefit increase payable on or after July 1, 2009, there  
3 shall be the funds available in the experience account to pay for such an increase, and  
4 a retiree:

5 \* \* \*

6 (iii) Shall be a member of Tier 1.

7 (e) Except as provided in Subparagraph (c) of this Paragraph, a nonretiree  
8 beneficiary shall be eligible for the permanent benefit increase payable on or after  
9 July 1, 2009:

10 \* \* \*

11 (iii) If the benefits are based on Tier 1 service.

12 \* \* \*

13 §883.1. Experience account

14 A.

15 \* \* \*

16 (2) The experience account shall be credited as follows:

17 (a) To the extent permitted by Paragraph (3) of this Subsection and after  
18 allocation to the consolidated amortization bases as provided in R.S. 11:102.2, an  
19 amount not to exceed fifty percent of the remaining balance of the prior year's net  
20 investment experience gain attributable to Tier 1 assets as determined by the system's  
21 actuary.

22 \* \* \*

23 C.

24 \* \* \*

25 (4)

26 \* \* \*

27 (d) Except as provided in Subparagraph (c) of this Paragraph, in order to be  
28 eligible for any permanent benefit increase payable on or after July 1, 2009, there

1 shall be the funds available in the experience account to pay for such an increase, and  
2 a retiree:

3 \* \* \*

4 (iii) Shall be a member of Tier 1.

5 (e) Except as provided in Subparagraph (c) of this Paragraph, a nonretiree  
6 beneficiary shall be eligible for the permanent benefit increase payable on or after  
7 July 1, 2009:

8 \* \* \*

9 (iii) If the benefits are based on Tier 1 service.

10 \* \* \*

11 §1145.1. ~~Employee Experience Account~~ account

12 A.(1) The ~~Employee Experience Account~~ experience account shall be  
13 credited as follows:

14 (a) To the extent permitted by Paragraph (2) of this Subsection, an amount  
15 not to exceed fifty percent of the prior year's net investment experience gain  
16 attributable to Tier 1 assets as determined by the system's actuary.

17 \* \* \*

18 C.

19 \* \* \*

20 (4)(a) Except as provided in Subparagraph (c) of this Paragraph, in order to  
21 be eligible for the cost-of-living adjustment, there shall be the funds available in the  
22 ~~Employee Experience Account~~ experience account to pay for such an adjustment,  
23 and a retiree:

24 \* \* \*

25 (iii) Shall be a member of Tier 1.

26 (b) Except as provided in Subparagraph (c) of this Paragraph, a non-retiree  
27 beneficiary shall be eligible for the cost-of-living adjustment:

28 \* \* \*

1                   (iii) If benefits are based on Tier 1 service.

2   \*       \*       \*

3                   E. Effective July 1, 2007, the balance in the ~~Employee Experience Account~~  
4                   experience account shall be zero.

5   \*       \*       \*

6                   CHAPTER 7. CASH BALANCE PLAN FOR STATE RETIREMENT SYSTEMS

7                   §1399.1. Cash balance plan creation

8                   A. There is hereby created within each of the following state retirement  
9                   systems a cash balance plan:

10                   (1) Louisiana State Employees' Retirement System.

11                   (2) Teachers' Retirement System of Louisiana.

12                   (3) Louisiana School Employees' Retirement System.

13                   B. The provisions of each system in effect on June 30, 2013, including any  
14                   special plans, shall be known as "Tier 1".

15                   §1399.2. Cash balance plan membership

16                   A. Mandatory membership. The following employees whose first  
17                   employment making them eligible for membership in one of the state systems  
18                   occurred on or after July 1, 2013, shall be members of the cash balance plan of their  
19                   respective systems:

20                   (1) Employees covered by the Louisiana State Employees' Retirement  
21                   System who are not members of the Hazardous Duty Services Plan pursuant to R.S.  
22                   11:612.

23                   (2) Employees covered by the Teachers' Retirement System of Louisiana  
24                   who are employed by an institution of post-secondary education and who do not  
25                   become members of the optional retirement plan.

26                   B. Optional membership. (1) Except as provided in Paragraph (2) of this  
27                   Subsection, any employee who is a member of Tier 1 of his retirement system may  
28                   at any time make an irrevocable election to join the cash balance plan of the  
29                   retirement system on a prospective basis.



1           (2) No member of the Hazardous Duty Services Plan shall be permitted to  
2           elect to join the cash balance plan.

3           §1399.3. Cash balance plan account accumulation

4           A. Contributions. (1) Each employee shall contribute to the retirement  
5           system the amount specified in R.S. 11:62 for cash balance plan members.

6           (2) Employer contributions to each retirement system shall be as provided  
7           in R.S. 11:102.

8           B. Credits. The cash balance plan member's account shall be credited with  
9           an amount equal to twelve percent of pay monthly. The credits shall include all  
10          employee contributions.

11          C. Interest. (1) For the duration of service covered by the cash balance plan,  
12          interest shall be payable on the member's account each plan year at a rate equal to  
13          the system's actuarial rate of return as certified by the system actuary in the system's  
14          actuarial report, less one percent. Interest shall be credited after the Public  
15          Retirement Systems' Actuarial Committee approves the system's actuarial rate of  
16          return on investments, and shall be based on the balance of the account at the end of  
17          each month for the prior plan year.

18          (2) No interest shall be credited after the member separates from service  
19          covered by the cash balance plan of his retirement system, except that interest shall  
20          be credited for those months during the plan year prior to his separation from service.

21          (3) In no case shall the balance in the employee's account be debited for  
22          investment losses.

23          D. Withdrawal from the cash balance plan. A cash balance plan member  
24          who separates from employment covered by his retirement system may withdraw  
25          from the cash balance plan.

26          (1) Upon application for withdrawal, an employee who has been a cash  
27          balance plan member for less than five years shall receive a refund of employee  
28          contributions without interest. The system shall retain all interest and any employer  
29          contributions.

1           (2) Upon application for withdrawal, an employee who has been a cash  
2           balance plan member for five years or longer may receive a lump-sum payment of  
3           his account balance or the distribution of his total account balance in the form of a  
4           trustee-to-trustee, single-sum transfer between qualified plans or as a payment made  
5           directly to a conduit individual retirement account. The employee may opt to leave  
6           his account balance with the system and draw an annuity pursuant to R.S. 11:1399.4  
7           when he attains age sixty.

8           (3)(a) A cash balance plan member shall be eligible to utilize the years of his  
9           membership in the cash balance plan for purposes of reciprocal recognition of  
10          credited service pursuant to R.S. 11:142.

11          (b) A cash balance plan member who becomes eligible to participate in a  
12          traditional defined benefit plan of a Louisiana public retirement system may elect to  
13          utilize his years of membership in the cash balance plan to meet regular retirement  
14          eligibility requirements in the traditional defined benefit plan.

15          (c) A cash balance plan member who elects to withdraw from the cash  
16          balance plan after becoming a member of a cash balance plan in another Louisiana  
17          public retirement system may execute the withdrawal provided for in this Subsection  
18          to transfer the amount the member is entitled to receive pursuant to Paragraphs (1)  
19          or (2) of this Subsection to a cash balance plan in another retirement system.

20          (4) If a cash balance plan member dies without withdrawing from the cash  
21          balance plan pursuant to this Subsection or annuitizing his benefit pursuant to R.S.  
22          1399.4, the following shall apply:

23                 (a) The applicable tier one plan shall be the plan in which the member would  
24                 have been enrolled in the absence of the cash balance plan.

25                 (b) If the cash balance plan member is survived by a spouse only and the  
26                 cash balance plan member met the eligibility requirements for survivors' benefits in  
27                 the applicable tier one plan, the spouse may choose one of the following options:

1           (i) To receive the account balance in the cash balance plan as a lump-sum  
2           payment, a trustee-to-trustee, single-sum transfer between qualified plans, a payment  
3           made directly to a conduit individual retirement account, or an annuity.

4           (ii) To receive the applicable tier one survivors' benefit.

5           (c) If the cash balance plan member is survived by a minor or a handicapped  
6           or mentally disabled child of any age and the cash balance plan member met the  
7           eligibility requirements for survivors' benefits in the applicable tier one plan, all  
8           survivors otherwise qualifying under the tier one plan shall receive the tier one  
9           survivors' benefits but shall not receive the cash balance account balance.

10           (d) If the cash balance plan member has not met the eligibility requirements  
11           for survivors' benefits in the applicable tier one plan, the system shall give his  
12           designated beneficiary or his estate the option to receive his account balance as a  
13           lump-sum payment, a trustee-to-trustee, single-sum transfer between qualified plans,  
14           a payment made directly to a conduit individual retirement account, or an annuity.

15           (5) If a cash balance plan member becomes disabled before withdrawing  
16           from the cash balance plan pursuant to this Subsection or annuitizing his benefit  
17           pursuant to R.S. 11:1399.4, the following shall apply:

18           (a) The applicable tier one plan is the plan in which the member would have  
19           been enrolled in the absence of the cash balance plan.

20           (b) The member may choose one of the following options:

21           (i) To receive his cash balance account balance as a lump-sum payment, a  
22           trustee-to-trustee, single-sum transfer between qualified plans, a payment made  
23           directly to a conduit individual retirement account, or an annuity.

24           (ii) To receive the applicable tier one disability benefit if the member  
25           otherwise meets the eligibility requirements for disability benefits in tier one.

26           §1399.4. Retirement eligibility; benefit calculation

27           A. Eligibility for retirement. A cash balance plan member with five years  
28           of membership in the cash balance plan is eligible to draw an annuity beginning at

1 age sixty. The annuity payment amount shall be calculated as provided in  
2 Subsection B of this Section.

3 B. Annuitization of retirement benefit. (1) Upon application, any member  
4 meeting the qualifications in Subsection A of this Section may elect to receive an  
5 annuity in a retirement allowance payable throughout his life, or he may elect at that  
6 time to receive the actuarial equivalent of his retirement allowance in a reduced  
7 retirement allowance payable throughout life, pursuant to any retirement option  
8 provided for Tier 1 members of his system. The system shall annuitize and pay any  
9 such allowance chosen by the member.

10 (2) No member of the cash balance plan shall be eligible to participate in any  
11 deferred retirement option plan or program or any similar retirement option that  
12 requires continued employment for participation, nor shall such a member be eligible  
13 to participate in any back-deferred retirement option plan or program. However, a  
14 cash balance plan member may participate in any initial benefit option, initial lump  
15 sum benefit option, or any similar retirement option designed to provide a reduced  
16 annuity in exchange for a lump-sum payment which is selected upon separation from  
17 service.

18 §1399.5. Reemployment

19 If, after withdrawing from the cash balance plan upon separation from service  
20 or after annuitizing his benefit, a cash balance plan member becomes reemployed in  
21 a position covered by the cash balance plan, the person's accumulation in the cash  
22 balance plan pursuant to R.S. 11:1399.3 shall begin again. However, the  
23 reemployment shall not affect the receipt of the lump sum or annuitized payments  
24 from the first cash balance account.

25 §1399.6. Application

26 The provisions of the applicable Tier 1 system or plan shall apply to the cash  
27 balance plan for any matter on which this Chapter is silent. In case of any conflict  
28 between the provisions of Tier 1 and the cash balance plan, the cash balance plan  
29 shall prevail.

1        §1399.7. Dual Membership

2            A. Membership in the defined benefit plan of any state system shall be  
3        distinct from participation in the cash balance plan provided for in this Chapter. Any  
4        defined benefit member who elects to join the cash balance plan shall be considered  
5        a member of both plans and shall be governed by the provisions of this Section in  
6        addition to other applicable provisions of law. A member of both plans is entitled  
7        to all options, obligations, and benefits of each respective plan, and subject to the  
8        provisions of Subsection C of this Section, no action or decision with respect to one  
9        plan shall be construed as an action or decision affecting the other plan.

10           B. For the purposes of this Section, the following terms shall have the  
11        following meanings:

12           (1) "Tier one contributions" shall mean the sum of all amounts paid by a  
13        member while a member of any defined benefit plan, excluding interest paid on the  
14        repayment of a refund, and credited to his individual account in the employee's  
15        savings account. For members of the Louisiana State Employees' Retirement  
16        System, Tier 1 contributions shall also include regular interest credited prior to July  
17        of 1969.

18           (2) "Tier one member" shall mean a member of any plan in a defined benefit  
19        plan who elects to join the cash balance plan.

20           C. For Tier one members:

21           (1) Any tier one member who receives a refund of his tier one contributions  
22        prior to retirement from the defined benefit plan or retirement or withdrawal from  
23        the cash balance plan may exercise the options set forth in R.S. 11:1399.3 or may  
24        leave his cash balance plan account balance with the system.

25           (2) Any tier one member who withdraws from the cash balance plan and  
26        receives a refund of employee contributions from the cash balance plan or a lump-  
27        sum payment or distribution of the member's account balance in the cash balance  
28        plan prior to retirement from the defined benefit plan or retirement from the cash

1 balance plan, may maintain his tier one contributions and corresponding service  
2 credit with the system.

3 (3) Any tier one member who retires under the provisions of a defined  
4 benefit plan and who has been a cash balance plan member for less than five years  
5 may exercise the options set forth in R.S. 11:1399.3 or may leave his cash balance  
6 plan account balance with the system.

7 (4) Any tier one member who retires or withdraws from the plan under the  
8 provisions of the cash balance plan and who does not have sufficient years of service  
9 credit in the defined benefit plan to become eligible for retirement without accruing  
10 additional service credit may exercise any option available to him as a member of  
11 the defined benefit plan, including the withdrawal of such contributions, or may  
12 maintain his defined benefit contributions and corresponding service credit with the  
13 system:

14 (5) Any tier one member shall be eligible to utilize his years of membership  
15 in the cash balance plan to meet retirement eligibility requirements in the defined  
16 benefit plan.

17 (6)(a) A tier one member shall be considered an active contributing member  
18 in active service for purposes of determining disability retirement eligibility and  
19 survivor benefits in the defined benefit plan.

20 (b) Any defined benefit disability or survivor benefits for which the tier one  
21 member is eligible shall be calculated based on his service in the defined benefit  
22 plan.

23 (7) A tier one member who retires under the provisions of a defined benefit  
24 plan shall be subject to the governing provisions of such plan with respect to his  
25 benefit from that plan. For tier one members of the Teachers' Retirement System of  
26 Louisiana, this shall include R.S. 11:710.

27 D. Nothing in this Section shall be construed to authorize an in-service  
28 distribution.

1 Section 2. (A) As soon as practicable after the effective date of this Act, the Public  
2 Retirement Systems Actuarial Committee shall meet to adopt a revised valuation for the  
3 system prepared as provided in R.S. 11:102. This valuation shall include a revised employer  
4 contribution rate for each plan within the system to be utilized in the fiscal year which begins  
5 on July 1, 2012. This valuation shall incorporate all changes enacted by the legislature in  
6 the 2012 Regular Session of the Legislature of Louisiana.

7 (B) The Public Retirement Systems Actuarial Committee may adopt an actuarial  
8 valuation or revised employer contribution rate to be utilized in the fiscal year which begins  
9 on July 1, 2012, calculated in accordance with R.S. 11:102, which has been prepared on  
10 behalf of the division of administration by a member of the American Academy of Actuaries  
11 who meets the qualification requirements of the academy to issue a particular Statement of  
12 Actuarial Opinion.

13 Section 3. Because the legislature finds and declares that questions of law may be  
14 raised concerning provisions of this Act, the public welfare requires that such questions of  
15 law be expeditiously resolved prior to such time as its provisions take effect to avoid  
16 disruption of the orderly implementation of its provisions. Therefore, the legislature finds  
17 that an expedited hearing schedule for actions filed relative to this Act should be  
18 immediately made available in order to avoid confusion by the public. Venue for any action  
19 shall be in the Nineteenth Judicial District. In the interest of further expediting this  
20 procedure, courts are urged to minimize all unnecessary delays and to resolve any questions  
21 of law no later than thirty days prior to the prefiling deadline for retirement legislation for  
22 the 2013 regular legislative session. The courts may suspend all applicable rules of court  
23 for this limited purpose.

24 Section 4. Any active contributing member of a defined benefit plan who is eligible  
25 to transfer to the cash balance plan may elect to transfer on or after June 30, 2013, provided  
26 that the employee's mandatory contribution rate under R.S. 11:62 in his current plan is equal  
27 to the rate mandated in R.S. 11:62 for members of the cash balance plan. Any active  
28 contributing member of a defined benefit plan with a mandatory contribution rate under R.S.  
29 11:62 that is not equal to the rate mandated in R.S. 11:62 for members of the cash balance

1 plan shall be eligible to join the cash balance plan only after his current plan and the cash  
 2 balance plan are the subject of favorable determination letters or private letter rulings from  
 3 the Internal Revenue Service indicating that the member's ability to elect such transfer will  
 4 not cause the employee's mandatory contributions to either of such plans to fail to be treated  
 5 as picked up by such member's employer within the meaning of 26 U.S.C. 414(h)(2).

6 Section 5. The division of administration shall study the feasibility of enrolling cash  
 7 balance plan members in Social Security and shall report its findings to the Public  
 8 Retirement Systems Actuarial Committee at the committee's first meeting in 2013.

9 Section 6. This Act shall become effective on June 30, 2012; if vetoed by the  
 10 governor and subsequently approved by the legislature, this Act shall become effective on  
 11 June 30, 2012, or on the day following such approval by the legislature, whichever is later.

12 Section 7. The division of administration shall conduct a cost benefit analysis of  
 13 providing an increased pay scale for employees hired on or after July 1, 2013, to provide  
 14 employees with the opportunity to develop a retirement plan or other investment  
 15 opportunities in addition to the plan established by this Act.

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#### DIGEST

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Pearson

HB No. 61

**Abstract:** Creates a cash balance retirement plan for certain members of the La. State Employees' Retirement System (LASERS), the Teachers' Retirement System of La. (TRSL), and the La. School Employees' Retirement System (LSERS).

Proposed law provides for a cash balance retirement plan (CBP) for certain members LASERS, TRSL, and LSERS.

Proposed law requires non-hazardous duty new members of LASERS and postsecondary education new members of TRSL, hired on or after July 1, 2013, to be members of the CBP.

Proposed law permits employees of LASERS, TRSL, and LSERS, except members of the Hazardous Duty Services Plan of LASERS, to opt into the CBP.

Proposed law establishes an annual credit of 12% to the CBP member's account. This 12% includes the employee's contribution. Provides for an interest credit annually to each member's account of the system's actuarial rate of return, after smoothing, less 1%. Interest payments shall be made after the Public Retirement Systems' Actuarial Committee approves the actuarial rate of return for the system. Further provides that a CBP member will not be credited with interest for months that he was not a member of the plan.



Provides the CBP member's account cannot be debited for losses.

Proposed law further provides for withdrawal by an employee from the CBP. If a member with less than five years withdraws from the plan, he will receive a refund of all employee contributions, without interest. If a member with five years or more withdraws from the plan, he is entitled to receive the entirety of the balance of his account, either in a lump sum or as a direct transfer to another qualified plan or individual retirement account. Such employee may also opt to leave his account balance with the system and draw an annuity pursuant to proposed law when the member attains age 60.

Proposed law provides that a CBP member may use his years of service in the CBP for reciprocal recognition of service under present law. Provides that a member who becomes eligible for a traditional defined benefit plan in another Louisiana public retirement system may use his years of service in the CBP towards this eligibility requirements for regular retirement in the defined benefit plan. Provides that a member who becomes eligible for membership in another cash balance plan in a Louisiana public retirement system may withdraw the amount he is entitled to under proposed law in order to transfer his account to the other system.

Proposed law provides for survivor benefits for members of the CBP. Allows the surviving spouse to choose either: (i) the benefit he or she would have been entitled to had the deceased been in the applicable defined benefit plan OR (ii) the lump sum of the deceased's CBP account balance. Allows the surviving children to receive the applicable defined benefit plan benefit. If the deceased member did not meet the eligibility requirements under the applicable defined benefit plan for a survivor benefit, allows the designated beneficiary or the deceased's estate to receive the CBP account balance.

Proposed law provides for disability benefits for members of the CBP. Allows the member to elect to receive either: (i) the lump-sum of his CBP account balance OR (ii) the applicable defined benefit plan disability benefit if he otherwise meets the eligibility requirements for such benefit.

Proposed law provides for annuitization of a CBP member's benefit. A member is eligible for an annuity if he has at least five years of membership in the CBP and has attained age 60. Provides further that the member may elect to receive an annuity throughout his life or he may elect to receive the actuarial equivalent of his retirement allowance as a reduced retirement allowance payable throughout his life pursuant to any retirement option provided in present law for defined benefit plan members. Provides that the system shall annuitize and pay any such allowance chosen by the member.

Proposed law prohibits a CBP member from participating in the Deferred Retirement Option Program (DROP) or any similar program that requires continued employment for participation. Nor shall any CBP member be eligible for Back-DROP.

Proposed law authorizes a CBP member to elect an initial benefit option, an initial lump sum benefit option, or any similar retirement option designed to provide a reduced annuity in exchange for a lump-sum payment upon separation of service.

Under proposed law, if a CBP member withdraws from the plan or annuitizes his benefit and then becomes reemployed in a position covered by the CBP, he shall start over from zero in terms of time in the CBP and benefit accruals. Such reemployment will not, however, affect his receipt of the lump sum or annuity from his first cash balance account.

Proposed law provides for current defined benefit plan members who opt into the CBP. Provides that such members will be considered members of both plans and that decisions or elections made in one plan will not automatically apply to the other plan. Further:

- (1) Allows a member to withdraw or retire from one plan but not the other.
- (2) Provides options for members who retire under one plan but do not have enough years of service to retire under the other.
- (3) Allows a member to use his years of membership in the cash balance plan to meet retirement eligibility requirements in the defined benefit plan.
- (4) Provides relative to survivor and disability benefits for such members.
- (5) Provides relative to members returning to work.

Proposed law provides that the defined benefit plan provisions shall apply to the CBP for any matter on which the CBP provisions are silent. In case of conflict between the defined benefit plan provisions and the CBP provisions, the CBP provisions control.

Further provides that the Public Retirement Systems Actuarial Committee (PRSAC) shall meet as soon as practicable after the effective date of the Act to adopt a revised valuation for the system. Such revised valuation shall include a revised employer contribution rate for each plan within the system to be utilized in FY 2012-2013. Requires the revised valuation to take into account all changes enacted by the legislature in the 2012 R.S. Further authorizes PRSAC at such meeting to adopt a valuation prepared on behalf of the division of administration by a qualified actuary.

Provides that current members may opt into the CBP, but only if their contribution rate is the same as what would be required under the CBP. A current member with an employee contribution rate different from what would be required under the CBP may opt in, but only after his current plan and the CBP have received approval from the IRS that such action will not adversely affect the tax qualification status of either system.

Requires the division of administration to study the feasibility of enrolling cash balance plan members in Social Security and report its findings to PRSAC at the committee's first meeting in 2013.

Requires the division of administration to perform a cost-benefit analysis of providing an increased pay scale for employees required to be in the cash balance plan.

Provides for an expedited hearing in the courts for any legal issues raised in relation to the Act. Establishes venue in the 19<sup>th</sup> Judicial District. Requests a final disposition of legal issues at least 30 days prior to the prefiling deadline for the 2013 R.S.

Effective June 30, 2012.

(Amends R.S. 11:62(4)(intro. para.), (5)(intro. para.), and (11)(intro. para.), 102(B)(1) and (3)(a) and (d)(v), (vi), and (vii), 542(A)(2)(a), 883.1(A)(2)(a), and 1145.1(A)(1)(intro. para.) and (a), (C)(4)(a)(intro. para.), and (E); Adds R.S. 11:62(4.1), (5.1), and (11.1), 102(C)(1)(m), 542(C)(4)(d)(iii) and (e)(iii), 883.1(C)(4)(d)(iii) and (e)(iii), 1145.1(C)(4)(a)(iii) and (b)(iii), and 1399.1-1399.7)

#### Summary of Amendments Adopted by House

Committee Amendments Proposed by House Committee on Retirement to the original bill.

1. Changes the date the Cash Balance Plan (CBP) becomes mandatory from Jan. 1, 2013 to July 1, 2013.

2. Removes a prohibition on members who would have been in the Hazardous Duty Plan if they had been hired after Dec. 31, 2010, from opting into the CBP.
3. Authorizes a CBP member who has more than five years of membership in the plan upon withdrawal from the plan to take the total of his account balance as a direct transfer to another qualified retirement plan or an individual retirement account.
4. Requires the system to annuitize and pay any retirement option elected by a qualified CBP member.
5. Requires the valuation to be adopted by the Public Retirement Systems Actuarial Committee (PRSAC) to take into account all changes enacted by the legislature in the 2012 R.S.
6. Authorizes PRSAC to adopt for FY 2012-2013 an actuarial valuation or revised employer contribution rate prepared on behalf of the division of administration by a qualified actuary.
7. Adds an expedited hearing provision regarding legal challenges to the Act.

House Floor Amendments to the engrossed bill.

1. Requires the division of administration to study the feasibility of enrolling cash balance plan members in Social Security and report its findings to PRSAC.
2. Requires the division of administration to perform a cost-benefit analysis of providing an increased pay scale for employees required to be in the cash balance plan.
3. Provides that interest is to be credited after PRSAC approves the system's actuarial rate of return.
4. Authorizes a CBP member who transferred to defined benefit plan in another system to use his years of service in the CBP to meet the regular retirement eligibility in that defined benefit plan.
5. Establishes provisions governing current defined benefit members who opt into the CBP. Provides that such members will be considered members of both plans and that decisions or elections made in one plan will not automatically apply to the other plan. Further:
  - (a) Allows a member to withdraw or retire from one plan but not the other.
  - (b) Provides options for members who retire under one plan but do not have enough years of service to retire under the other.
  - (c) Allows a member to use his years of membership in the cash balance plan to meet retirement eligibility requirements in the defined benefit plan.
  - (d) Provides relative to survivor and disability benefits for such members.
  - (e) Provides relative to members returning to work.
6. Provides that a current employee may not opt into the CBP if his employee contribution rate is different from what would be required under the CBP unless

his current plan and the CBP have received approval from the IRS that such action will not adversely affect the tax qualification status of either system.

7. Provides for survivor benefits for members of the CBP. Allows the surviving spouse to choose either: (i) the benefit he or she would have been entitled to had the deceased been in the applicable defined benefit plan OR (ii) the lump sum of the deceased's CBP account balance. Allows the surviving children to receive the applicable defined benefit plan benefit. If the deceased member did not meet the eligibility requirements under the applicable defined benefit plan for a survivor benefit, allows the designated beneficiary or the deceased's estate to receive the CBP account balance.
8. Provides for disability benefits for members of the CBP. Allows the member to elect to receive either: (i) the lump-sum of his CBP account balance OR (ii) the applicable defined benefit plan disability benefit if he otherwise meets the eligibility requirements for such benefit.
9. Removes requirement that the attorney general and the governor be served if suit is filed.