2016 Regular Session

HOUSE BILL NO. 66

BY REPRESENTATIVE IVEY

RETIREMENT/STATE SYSTEMS: Establishes hybrid retirement plan for new members of state retirement systems

AN ACT

To amend and reenact R.S. 11:62(4)(introductory paragraph), (5)(introductory paragraph), (10)(introductory paragraph), and (11)(introductory paragraph), 102(B)(1) and (3)(a) and (d)(vi)(aa)(I) and (viii)(aa)(I), (C)(1)(a), (h), (j), (k), and (m) and (4)(a), (b)(i), and (c), and (D)(1) and (4), 102.3, 247(A)(1), (D), and (E), 542(C)(1)(introductory paragraph), 883.1(C)(1)(introductory paragraph), 927(A) and (B)(2)(a) and (b) and (3)(a)(i), 1145.1(C)(1)(introductory paragraph), 1332(C)(1)(introductory paragraph) and (F) and to enact R.S.11:62(4.1), (5.1), (10.1), and (11.1), 102(C)(1)(n), 102.4, 542(C)(4)(e), 883.1(C)(4)(f), 1145.1(C)(4)(d), 1332(C)(4)(d), and Chapter 7 of Subtitle I of Title 11 of the Louisiana Revised Statutes of 1950, comprised of R.S. 11:1399.1 through 1399.11, relative to the receipt of post-employment benefits from federally qualified plans by certain new public employees; to provide with respect to membership, credits, eligibility, accruals, and benefits in such plans of such members; to provide with respect to employee and employer contributions to state retirement systems for such members; to provide relative to state retirement system assets and liabilities attributable to such members; and to provide for related matters.

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

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 11:62(4)(introductory paragraph), (5)(introductory paragraph), (10)(introductory paragraph), and (11)(introductory paragraph), 102(B)(1) and (3)(a) and (d)(vi)(aa)(I) and (viii)(aa)(I), (C)(1)(a), (h), (j), (k), and (m) and (4)(a), (b)(i), and (c), and (D)(1) and (4), 102.3, 247(A)(1), (D), and (E), 542(C)(1)(introductory paragraph), 883.1(C)(1)(introductory paragraph), 927(A) and (B)(2)(a) and (b) and (3)(a)(i), 1145.1(C)(1)(introductory paragraph), 1332(C)(1)(introductory paragraph) and (F) are hereby amended and reenacted and R.S.11:62(4.1), (5.1), (10.1), and (11.1), 102(C)(1)(n), 102.4, 542(C)(4)(e), 883.1(C)(4)(f), 1145.1(C)(4)(d), 1332(C)(4)(d), and Chapter 7 of Subtitle I of Title 11 of the Louisiana Revised Statutes of 1950, comprised of R.S. 11:1399.1 through 1399.11 are hereby enacted to read as follows:

§62. Employee contribution rates established

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

* * *

(4) Louisiana School Employees' Retirement System <u>members in Tier 1</u>:

* * *

<u>(4.1) Louisiana School Employees' Retirement System members in the hybrid retirement plan - the amount calculated pursuant to R.S. 11:102.3.</u>

(5) Louisiana State Employees' Retirement System <u>members in Tier 1</u>:

* * *

<u>(5.1) Louisiana State Employees' Retirement System members in the hybrid retirement plan - the amount calculated pursuant to R.S. 11:102.3.</u>

* * *

(10) Louisiana State Police Retirement System <u>members in Tier 1</u>:

* * *

<u>(10.1) Louisiana State Police Retirement System members in the hybrid retirement plan - the amount calculated pursuant to R.S. 11:102.3.</u>

(11) Teachers' Retirement System of Louisiana <u>members in Tier 1</u>:

* * *

(11.1) Teachers' Retirement System of Louisiana members in the hybrid retirement plan - the amount calculated pursuant to R.S. 11:102.3.

* * *

§102. Employer contributions; determination; state systems

* * *

B.(1) Except as provided in Subsection C of this Section for the Louisiana State Employees' Retirement System and Subsection D of this Section for the Teachers' Retirement System of Louisiana and except as provided in R.S. 11:102.1, 102.2, 102.3, and in Paragraph (5) of this Subsection, for each fiscal year, commencing with Fiscal Year 1989-1990, for each of the public retirement systems referenced in Subsection A of this Section, the legislature shall set the required employer contribution rate as follows:

(a) For all plans except the hybrid plans, the rate shall be set equal to the actuarially required employer contribution, as determined under Paragraph (3) of this Subsection, divided by the total projected payroll of all active members of each such ~~particular system~~ plan for the fiscal year.

(b) For the hybrid plans, the rate shall be set equal to the actuarially required employer contribution, as determined under Paragraph (3) of this Subsection, divided by the total projected payroll of all active members of the hybrid plan for the fiscal year.

(c) Each entity funding a portion of a member's salary shall also fund the employer's contribution on that portion of the member's salary at the employer contribution rate specified in this Subsection.

* * *

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

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

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

* * *

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

* * *

(vi)(aa)(I) Except as provided in Subsubitem (ee)(II) of this Item, effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the amortization period for the changes, gains, or losses of the Louisiana School Employees' Retirement System provided in Items (i) through (iv) of this Subparagraph shall be thirty years, or in accordance with standards promulgated by the Governmental Accounting Standards Board, from the year in which the change, gain, or loss occurred. The outstanding balances of amortization bases established pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year 2000-2001, shall be amortized as a level dollar amount from July 1, 2004, through June 30, 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the outstanding balances of amortization bases established pursuant to Items (i) through (iv) of this Subparagraph shall be amortized as a level dollar amount. <u>Beginning with Fiscal Year 2017-2018, the outstanding balances of amortization bases established pursuant to Items (i) through (iv) of this Subparagraph shall also be calculated in accordance with the provisions</u>

<u>of R.S. 11:102.3.</u>

* * *

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

* * *

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

(a) Rank-and-file members of the system <u>whose first employment making them eligible for membership in a state system occurred on or before June 30, 2017</u>.

* * *

(h) Legislators, the governor, and the lieutenant governor <u>whose first employment making them eligible for membership in a state system occurred on or before June 30, 2017</u>.

* * *

(j) Hazardous duty plan members as provided pursuant to R.S. 11:611 et seq whose first employment making them eligible for membership in a state system occurred on or before June 30, 2017.

(k) Judges as provided pursuant to R.S. 11:62(5)(a)(iii) and 444(A)(1)(a)(ii) whose first employment making them eligible for membership in a state system occurred on or before June 30, 2017.

* * *

(m) Members of the hybrid plan.

(n) Any other specialty retirement plan provided for a subgroup of system members. If the legislation enacting such a plan is silent as to the application of this Subsection, the Public Retirement Systems' Actuarial Committee shall provide for the application to such plan.

* * *

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

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

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

* * *

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

* * *

D.(1) This Subsection shall be applicable to the Teachers' Retirement System of Louisiana effective for the June 30, 2011, system valuation and beginning Fiscal Year 2012-2013. For purposes of this Subsection, "plan" or "plans" shall mean a subgroup within the system characterized by the following employee classifications:

~~(a) School lunch Plan A.~~

~~(b) School lunch Plan B.~~

~~(c)~~ <u>(a)</u> Employees of an institution of postsecondary education, the Board of Regents, or a postsecondary education management board who are not employed for the sole purpose of providing instruction or administrative services at the primary or secondary level, including at any lab school and the Louisiana School for Math, Science, and the Arts<u>, whose first employment making them eligible for membership in a state system occurred on or before June 30, 2017</u>.

~~(d)~~ <u>(b)</u> Any other specialty retirement plan provided for a subgroup of system members. If the legislation enacting such a plan is silent as to the application of this Subsection, the Public Retirement Systems' Actuarial Committee shall provide for the application to such plan.

~~(e)~~ <u>(c)</u> All other teachers, as defined in R.S. 11:701(33) <u>whose first employment making them eligible for membership in a state system occurred on or before June 30, 2017</u>.

<u>(d) Members of the hybrid plan.</u>

* * *

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

(a) The particularized normal cost rate. The normal cost rate for each fiscal year shall be the employer's normal cost for employees in the plan computed by applying the method specified in Paragraph (B)(1) and Subparagraph (B)(3)(a) of this Section <u>and R.S. 11:102.3</u> to the plan.

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

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

(d) The shared gross employer contribution rate difference. The gross employer contribution rate difference shall be the difference between the minimum gross employer contribution rate provided in Paragraph (B)(5) of this Section and the aggregate employer contribution rate calculated pursuant to the provisions of Subsection B of this Section.

* * *

§102.3. Contribution rates for hybrid plan members

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

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

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

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

(1) The normal cost of the new member's benefit, which shall include the total monthly credit to the new member's defined contribution account.

(2) Any change in the new member's normal cost.

(3) The proportional share of the amortization cost for liability schedules created on or after July 1, 2017.

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

(1) The normal cost for the new members in such tier computed at the interest rate specified in R.S. 11:1399.5.

(2) That fiscal year's payment, computed as of the first of that fiscal year and projected to the middle of that fiscal year at the interest rate specified in R.S. 11:1399.5 and using the amortization method specified in R.S. 11:102(B) and this Section, necessary to amortize that portion of any unfunded accrued liability created on or after July 1, 2017, that is attributable to members in the tier.

(3) That fiscal year's payment, computed as of the first of that fiscal year and projected to the middle of that fiscal year at the interest rate, specified in R.S. 11:1399.5 necessary to amortize the prior year's over or underpayment of employee contributions as a level dollar amount over a period of five years.

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

E. Employer contributions shall be calculated as otherwise provided in R.S. 11:102.

§102.4. Review of volatility

Following the close of Fiscal Year 2018-2019, the future volatility of the then-existing schedules of each state system shall be reexamined by staff of each system and of the legislature, including actuaries for both. The results of this reexamination, which may identify issues to be resolved and include recommendations for plan amendments, shall be reported to the Public Retirement Systems' Actuarial Committee by November 1, 2019. The committee shall review the results and determine what changes to the system plan provisions, if any, are advisable. If appropriate, the committee shall make a recommendation to the legislature on whether and what type of legislation is warranted.

* * *

§247. Automatic cost-of-living adjustments

A.(1) Upon application for retirement or participation in the Deferred Retirement Option Plan, any member of a ~~state or~~ statewide retirement system or any member of a state retirement system whose first employment making him eligible for membership in such system occurred on or before June 30, 2017, may elect to receive an actuarially reduced retirement allowance plus an annual two and one-half percent cost-of-living adjustment. Such an election shall be irrevocable after the effective date of retirement or after the beginning date of participation in the Deferred Retirement Option Plan. The retirement allowance together with the cost-of-living adjustment shall be certified by the system actuary to be actuarially equivalent to the member's maximum or optional retirement allowance and shall be approved by the system's board of trustees.

* * *

D. Upon application for retirement or participation in the Deferred Retirement Option Plan and upon certifying that he is contemplating availing himself of the provisions of this Section, a member ~~of a state or statewide retirement system~~ who qualifies for participation pursuant to the provisions of Paragraph (A)(1) of this Section may request that the system provide actuarial estimates of the benefits that such member would receive pursuant to Subsection A of this Section for the fifth, tenth, and fifteenth year following the member's anticipated retirement date. The system shall provide such actuarial estimates to the member upon request.

E. This Section shall not be applicable to recipients of disability retirement benefits pursuant to R.S. 11:461 et seq. All other persons qualifying for participation pursuant to the provisions of Paragraph (A)(1) of this Section who are receiving disability retirement benefits pursuant to the provisions of this Title shall be eligible to elect this retirement option upon conversion to a service retirement, if applicable, under the provisions of this Title for each state or statewide retirement system.

* * *

§542. Experience account

* * *

C.(1) In accordance with the provisions of this Section, the board of trustees may recommend to the president of the Senate and the speaker of the House of Representatives that the system be permitted to grant a permanent benefit increase to retirees whose first employment making them eligible for membership in a state system occurred on or before June 30, 2017, and to~~,~~ survivors~~,~~ and beneficiaries of such members whenever the conditions in this Section are satisfied and the balance in the experience account is sufficient to fund such benefit fully on an actuarial basis, as determined by the system's actuary. If the legislative auditor's actuary disagrees with the determination of the system's actuary, a permanent benefit increase shall not be granted. The board of trustees shall not grant a permanent benefit increase unless such permanent benefit increase has been approved by the legislature. Any such permanent benefit increase granted on or before June 30, 2015, shall be limited to and shall only be payable based on an amount not to exceed seventy thousand dollars of the retiree's annual benefit. Any such permanent benefit increase granted on or after July 1, 2015, shall be limited to and shall only be payable based on an amount not to exceed sixty thousand dollars of the retiree's annual benefit. Effective for years after July 1, 1999, and on or before June 30, 2015, the seventy-thousand dollar limit shall be increased each year in an amount equal to any increase in the consumer price index (U.S. city average for all urban consumers (CPI-U)) for the preceding year, if any. Effective on or after July 1, 2015, the sixty-thousand dollar limit shall be increased each year in an amount equal to any increase in the consumer price index, (U.S. city average for all urban consumers (CPI-U)) for the twelve-month period ending on the system's valuation date, if any. Any increase granted pursuant to the provisions of this Section shall begin on the July first following legislative approval, shall be payable annually, and shall be an amount equal to the lesser of:

* * *

(4)

* * *

<u>(e) No member whose first employment making him eligible for membership in a state system occurs or after July 1, 2017, shall be eligible for a benefit adjustment pursuant to the provisions of this Section nor shall any beneficiary who receives benefits based on the death or disability of such a member be eligible for a benefit adjustment pursuant to the provisions of this Section.</u>

* * *

§883.1. Experience account

* * *

C.(1) In accordance with the provisions of this Section, the board of trustees may recommend to the president of the Senate and the speaker of the House of Representatives that the system be permitted to grant a permanent benefit increase to retirees <u>whose first employment making them eligible for membership in a state system occurred on or before June 30, 2017,</u> and <u>to</u> beneficiaries <u>of such members</u>

whenever the conditions in this Section are satisfied and the balance in the experience account is sufficient to fund such benefit fully on an actuarial basis, as determined by the system's actuary. If the legislative auditor's actuary disagrees with the determination of the system's actuary, a permanent benefit increase shall not be granted. The board of trustees shall not grant a permanent benefit increase unless such permanent benefit increase has been approved by the legislature. Any increase granted pursuant to the provisions of this Section shall begin on the July first following legislative approval, shall be payable annually, and shall be an amount equal to the lesser of:

* * *

(4)

* * *

<u>(f) No member whose first employment making him eligible for membership in a state system occurs on or after July 1, 2017, shall be eligible for a benefit adjustment pursuant to the provisions of this Section nor shall any beneficiary who receives benefits based on the death or disability of such a member be eligible for a benefit adjustment pursuant to the provisions of this Section.</u>

* * *

§927. Contributions

A. <u>Regardless of first date of employment making him eligible for membership in a state retirement system, each</u> ~~Each~~ participant shall contribute monthly to the optional retirement plan the same amount which he would be required to contribute to the <u>Tier 1</u> regular retirement plan of the Teachers' Retirement System of Louisiana if he were a member of that retirement plan. Participant contributions may be made by employer pick-up in accordance with the provisions of Section 414(h)(2) of the United States Internal Revenue Code or any amendment thereto. The entirety of each participant's contribution, less any monthly fee established by the board to cover the cost of administration and maintenance of the optional retirement plan, shall be remitted to the appropriate designated company or companies for application to the participant's contract or contracts.

B.

* * *

(2)(a) Beginning July 1, 2014, and continuing through fiscal year 2017-2018, each higher education board created by Article VIII of the Constitution of Louisiana and each employer institution and agency under its supervision and control shall contribute to the Teachers' Retirement System of Louisiana on behalf of each participant in the optional retirement plan the sum of:

(i) The amounts calculated pursuant to R.S. 11:102(D)(4)(b), (c), and (d) <u>for Tier 1 plans</u>.

(ii) An amount equal to or greater than the equivalent of the employer's portion of the <u>Tier 1</u> normal cost contribution of the regular retirement plan.

(b) Beginning July 1, 2018, each higher education board created by Article VIII of the Constitution of Louisiana and each employer institution and agency under its supervision and control shall contribute to the Teachers' Retirement System of Louisiana on behalf of each participant in the optional retirement plan the sum of:

(i) The amounts calculated pursuant to R.S. 11:102(D)(4)(b), (c), and (d) <u>for Tier 1 plans</u>.

(ii) An amount not less than six and two-tenths percent of pay.

* * *

(3)(a) Beginning July 1, 2014, for all employers that are not a higher education board created by Article VIII of the Constitution of Louisiana or an employer institution under the supervision and control of such a board, each such employer institution and board shall contribute to the Teachers' Retirement System of Louisiana on behalf of each participant in the optional retirement plan the greater of:

(i) The amount it would have contributed if the participant were a member of the <u>Tier 1</u> regular retirement plan of the Teachers' Retirement System of Louisiana pursuant to R.S. 11:102(D)(1).

* * *

§1145.1. Employee Experience Account

* * *

C.(1) In accordance with the provisions of this Section, the board of trustees may recommend to the president of the Senate and the speaker of the House of Representatives that the system be permitted to grant a cost-of-living adjustment to retirees <u>whose first employment making them eligible for membership in a state system occurred on or before June 30, 2017,</u> and <u>to</u> beneficiaries <u>of such members</u> whenever the conditions in this Section are satisfied and the balance in the Employee Experience Account is sufficient to fully fund such benefit on an actuarial basis, as determined by the system's actuary. If the legislative actuary disagrees with the determination of the system's actuary, a cost-of-living adjustment shall not be granted. The board of trustees shall not grant a cost-of-living adjustment unless such cost-of-living adjustment has been approved by the legislature. Any such cost-of-living adjustment granted on or before June 30, 2015, shall be limited to and shall only be payable based on an amount not to exceed eighty-five thousand dollars of the retiree's annual benefit. Any such cost-of-living adjustment granted on or after July 1, 2015, shall be limited to and shall only be payable based on an amount not to exceed sixty thousand dollars of the retiree's annual benefit. Effective for years after July 1, 2007, and on or before June 30, 2015, the eighty-five thousand dollar limit shall be increased each year in an amount equal to the increase in the Consumer Price Index (United States city average for all urban consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the preceding calendar year, if any. Effective on or after July 1, 2015, the sixty-thousand dollar limit shall be increased each year in an amount equal to any increase in the consumer price index (U.S. city average for all urban consumers (CPI-U)) for the twelve-month period ending on the system's valuation date, if any. Any cost-of-living adjustment granted pursuant to the provisions of this Section shall begin on July first following legislative approval, shall be payable annually, and shall be an amount equal to the lesser of:

* * *

(4)

* * *

(d) No member whose first employment making him eligible for membership in a state system occurs or after July 1, 2017, shall be eligible for a benefit adjustment pursuant to the provisions of this Section nor shall any beneficiary who receives benefits based on the death or disability of such a member be eligible for a benefit adjustment pursuant to the provisions of this Section.

* * *

§1332. Employee Experience Account

* * *

C.(1) In accordance with the provisions of this Section, the board of trustees may recommend to the president of the Senate and the speaker of the House of Representatives that the system be permitted to grant a cost-of-living adjustment to retirees whose first employment making them eligible for membership in a state system occurred on or before June 30, 2017, and to ~~and~~ beneficiaries of such members whenever the conditions in this Section are satisfied and the balance in the Employee Experience Account is sufficient to fully fund such benefit on an actuarial basis, as determined by the system's actuary. If the legislative actuary disagrees with the determination of the system's actuary, a cost-of-living adjustment shall not be granted. The board of trustees shall not grant a cost-of-living adjustment unless such cost-of-living adjustment has been approved by the legislature. Any such cost-of-living adjustment granted on or before June 30, 2015, shall be limited to and shall only be payable based on an amount not to exceed eighty-five thousand dollars of the retiree's annual benefit. Any such cost-of-living adjustment granted on or after

July 1, 2015, shall be limited to and shall only be payable based on an amount not to exceed sixty thousand dollars of the retiree's annual benefit. Effective for years after July 1, 2007, and on or before June 30, 2015, the eighty-five thousand dollar limit shall be increased each year in an amount equal to the increase in the consumer price index (United States city average for all urban consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the preceding calendar year, if any. Effective on or after July 1, 2015, the sixty-thousand dollar limit shall be increased each year in an amount equal to any increase in the consumer price index (U.S. city average for all urban consumers (CPI-U)) for the twelve-month period ending on the system's valuation date, if any. Any adjustment granted pursuant to the provisions of this Section shall begin on July first following legislative approval, shall be payable annually, and shall be an amount equal to the lesser of:

* * *

(4)

* * *

<u>(d) No member whose first employment making him eligible for membership in a state system occurs or after July 1, 2017, shall be eligible for a benefit adjustment pursuant to the provisions of this Section nor shall any beneficiary who receives benefits based on the death or disability of such a member be eligible for a benefit adjustment pursuant to the provisions of this Section.</u>

* * *

F.<u>(1)</u> In addition to the cost-of-living adjustment authorized by Subsection C of this Section, the board of trustees may grant a supplemental cost-of-living adjustment to all retirees and beneficiaries who are at least age sixty-five, which shall consist of an amount equal to two percent of the benefit being received on the date of the adjustment. In order to grant such supplemental cost-of-living adjustment, the board of trustees shall recommend to the president of the Senate and the speaker of the House of Representatives that the system be permitted to grant such supplemental cost-of-living adjustment to retirees and beneficiaries whenever the balance in the Employee Experience Account is sufficient to fully fund such benefit on an actuarial basis, as determined by the system's actuary. If the legislative actuary disagrees with the determination of the system's actuary, such supplemental cost-of-living adjustment shall not be granted. The board of trustees shall not grant such supplemental cost-of-living adjustment unless such supplemental cost-of-living adjustment has been approved by the legislature. Any such supplemental cost-of-living adjustment paid on or before June 30, 2015, shall be limited to and shall only be payable based on an amount not to exceed eighty-five thousand dollars of the retiree's annual benefit. Any such supplemental cost-of-living adjustment paid on or after July 1, 2015, shall be limited to and shall only be payable based on an amount not to exceed sixty thousand dollars of the retiree's annual benefit. Effective on and after July 1, 2007, and on or before June 30, 2015, the eighty-five thousand dollar limit shall be increased each year in an amount equal to the increase in the consumer price index (United States city average for all urban consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the preceding calendar year, if any. Effective on and after July 1, 2015, the sixty-thousand dollar limit shall be increased each year in an amount equal to the increase in the consumer price index (United States city average for all urban consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the twelve-month period ending on the system's valuation date, if any. Any cost-of-living adjustment granted pursuant to the provisions of this Subsection shall begin on July first following legislative approval and shall be payable annually.

(2) No member whose first employment making him eligible for membership in a state system occurs or after July 1, 2017, shall be eligible for a benefit adjustment pursuant to the provisions of this Subsection nor shall any beneficiary who receives benefits based on the death or disability of such a member be eligible for a benefit adjustment pursuant to the provisions of this Subsection.

* * *

CHAPTER 7. HYBRID PLAN FOR STATE RETIREMENT SYSTEMS

§1399.1. Hybrid plan creation

A. There is hereby created within each of the following state retirement systems a hybrid plan:

(1) Louisiana State Employees' Retirement System.

(2) Teachers' Retirement System of Louisiana.

(3) Louisiana School Employees' Retirement System.

(4) State Police Retirement System.

B. The provisions of each system in effect on June 30, 2017, including any special plans, shall be known as "Tier 1".

§1399.2. Definitions

The following terms shall have the following meanings, unless another meaning is clearly required by context. Terms not otherwise defined shall have the same meaning as in Tier 1.

(1) "Hazardous duty member" shall mean a member of the Louisiana State Employees' Retirement System who, but for his date of first employment making him eligible for membership in a state system, would qualify for membership in the Hazardous Duty Services Plan pursuant to R.S. 11:612.

(2) "Particularized unfunded accrued liability" shall mean liability applicable to actuarial changes, gains, and losses, excluding experience and investment gains and losses, first recognized in the June 30, 2018, valuation or in any later valuation, attributable to one or more, but not all, plans in a system.

(3) "Rank-and-file member" shall mean any member of the Louisiana State Employees' Retirement System including any judge, court officer, governor, lieutenant governor, clerk or sergeant-at-arms of the House of Representatives, secretary or sergeant-at-arms of the Senate, or state treasurer, who is not a Hazardous Duty member and whose first employment making him eligible for membership in a state system occurred on or after July 1, 2017.

(4) "Shared unfunded accrued liability" shall mean liability applicable to all plans in a system for actuarial changes, gains, and losses, including experience and investment gains and losses, which are independent of the existence of the individual plans within a system.

§1399.3. Hybrid plan membership

A. State employees whose first employment making them eligible for membership in one of the state systems occurred on or after July 1, 2017, shall be members of the hybrid plan of their respective system. Members in the hybrid plan shall participate simultaneously in a defined benefit plan and in a defined contribution plan.

B. If a retired member of the hybrid plan returns to active service in a position covered by the system from which he is receiving benefits, payment of his defined benefit retirement shall cease during his period of reemployment. However, such reemployment shall have no effect on payments received under the defined contribution component of the plan.

§1399.4. Contributions and credits

A.(1) Each member shall contribute to the retirement system the amount calculated pursuant to R.S. 11:102.3.

(2) Employer contributions to each retirement system shall be as provided in R.S. 11:102 and 102.3.

B.(1) For a member of the Teachers' Retirement System of Louisiana, the Louisiana School Employees' Retirement System, or a rank-and-file member of the Louisiana State Employees' Retirement System, each hybrid plan member's defined contribution account shall be credited with an amount equal to ten percent of pay monthly.

(2) For a member of the State Police Retirement System or a hazardous duty member, each such hybrid plan member's defined contribution account shall be credited with an amount equal to twelve percent of pay monthly.

<u>(3) Every active member of the hybrid plan shall also accrue service credit in the defined benefit portion of the plan each month as provided in R.S. 11:1399.5.</u>

<u>C.(1) With regards to the defined contribution portion of the hybrid plan, upon receipt of employee and employer contributions, the system shall promptly pay over to the appropriate designated company or companies an amount equal to one-half of the normal cost percentage calculated pursuant to R.S. 11:102.3, which shall be credited to the employee's account.</u>

<u>(2) With regards to the defined benefit portion of the hybrid plan, the remainder of the employee and employer contributions shall be applied to the defined benefit normal cost and unfunded accrued liability costs as provided in R.S. 11:102.3.</u>

<u>§1399.5. Defined benefit portion</u>

<u>A.(1) Defined benefits in the plan for a member of the Teachers' Retirement System of Louisiana, the Louisiana School Employees' Retirement System, or a rank-and-file member of the Louisiana State Employees' Retirement System shall accrue at the following rates for each year of creditable service in the plan:</u>

<u>(a) The maximum retirement allowance for every year of creditable service less than five years of service shall equal one and one-half percent of average compensation.</u>

<u>(b) The maximum retirement allowance for every year of the fifth through the ninth years of creditable service shall equal one and three-quarters percent of average compensation.</u>

<u>(c) The maximum retirement allowance for every year of the tenth through the fourteenth years of creditable service shall equal two percent of average compensation.</u>

<u>(d) The maximum retirement allowance for every year of the fifteenth through the twenty-fourth years of creditable service shall equal two and one-half percent of average compensation.</u>

(e) The maximum retirement allowance for every year of the twenty-fifth through the twenty-ninth years of creditable service shall equal three percent of average compensation.

(f) The maximum retirement allowance for every year of the thirtieth through the thirty-fourth years of creditable service shall equal three and one-quarter percent of average compensation.

(g) The maximum retirement allowance for the thirty-fifth year of creditable service and for each year of creditable service thereafter shall equal four percent of average compensation.

(2) Defined benefits in the plan for a member of the State Police Retirement System or a hazardous duty member shall accrue at the following rates for each year of creditable service in the plan:

(a) The maximum retirement allowance for every year of creditable service less than five years of service shall equal two percent of average compensation,

(b) The maximum retirement allowance for every year of the fifth through ninth years of creditable service shall equal two and one-half percent of average compensation.

(c) The maximum retirement allowance for every year of the tenth through fourteenth years of creditable service shall equal three and one-quarter percent of average compensation.

(d) The maximum retirement allowance for every year of the fifteenth through nineteenth years of creditable service shall equal three and three-quarters percent of average compensation.

(e) The maximum retirement allowance for every year of the twentieth through twenty-fourth years of creditable service shall equal four percent of average compensation.

(f) The maximum retirement allowance for the twenty-fifth year of creditable service and for each year of creditable service thereafter shall equal four and one-half percent of average compensation.

(3) In no event shall a member's accrued defined benefit exceed one hundred percent of his average compensation.

B. The interest rate used to value normal cost and accrued liabilities attributable to the plan shall be six percent. The provisions of this Subsection shall apply to particularized liabilities of the plan as well as to any portions of shared unfunded accrued liability attributable to the hybrid plan.

C.(1) Upon retirement, a hybrid plan member shall receive a maximum defined benefit retirement allowance from his retirement system that is equivalent to the percentage of his average compensation accrued each year for his creditable service in the plan pursuant to Paragraph (A)(1) of this Section multiplied by his years of creditable service in the plan.

(2) Notwithstanding the provisions of Paragraph (1) of this Section, upon retirement, a hybrid plan member may elect to receive his defined benefit in a retirement allowance payable throughout his life or may elect to receive the actuarial equivalent of his retirement allowance in a reduced retirement allowance payable throughout life pursuant to any retirement option available to members of Tier 1 of his system, including initial lump sum payment options.

(3) Notwithstanding the provisions of Paragraph (2) of this Subsection, no member of the hybrid plan shall be eligible to participate in any deferred retirement option plan or program or any similar retirement option that requires continued employment for participation, nor shall such a member be eligible to participate in any back-deferred retirement option plan or program.

§1399.6. Defined contribution portion

A.(1) Each member shall have a defined contribution plan account maintained and administered by a qualified third-party provider as determined pursuant to Subsection B of this Section.

(2) Each member may elect to contribute extra amounts to his defined contribution account, up to applicable Internal Revenue Service limits on elective deferrals.

B.(1) The board of trustees of each system shall select no more than three companies from which contracts will be purchased for the provision of defined contribution accounts for employees. In setting the criteria for this selection, the board shall consider, among other things, the following:

(a) The portability of the contracts offered or to be offered by the company, based on the number of states in which the designated company provides contracts under similar plans.

(b) The nature and extent of the rights and benefits to be provided by the contracts for participating employees and their beneficiaries.

(c) The relation of the rights and benefits to the amount of the contributions to be made pursuant to the provisions of this Chapter.

(d) The suitability of the rights and benefits to the needs and interests of participating employees.

(e) The ability of the designated company or companies to provide the rights and benefits under such contracts.

(2) Each system board of trustees shall select from the funds offered by each provider a minimum of ten and a maximum of twenty-five funds in a range of risk and return profiles that will be offered to its members. At least one of the investment options selected by the board from each provider shall be a fund with a guaranteed rate of return.

C. Upon retirement, a minimum of seventy-five percent of the value of the member's account balance shall be annuitized by the company maintaining the account. The member shall select the percentage of his account balance to be annuitized. A member who does not elect to annuitize his entire account balance may withdraw some or all of his remaining account balance as: one or more lump-sum payments; a trustee-to-trustee, single-sum transfer between qualified plans; or a payment made directly to an individual retirement account.

D. Upon death or retirement, whichever occurs first, a member with at least five years of participation in the defined contribution plan shall have a vested right to all employer contributions made to his account and to interest on the employee and employer contributions. The rights of members terminating service prior to retirement shall be as follows:

(1) In the event of termination prior to attaining five years of participation in the defined contribution plan, the member shall be entitled to a return of all employee contributions, without interest thereon. All interest and employer contributions shall be forfeited to the member's retirement system.

(2) In the event of termination after a member attains five years of participation in the defined contribution plan but prior to retirement, the member shall leave his account balance with the system and exercise the rights granted pursuant to Subsection C of this Section upon attaining the first age at which he may begin to draw an unreduced retirement benefit.

E. A member who has not terminated employment or retired may not withdraw funds from his defined contribution account prior to retirement or borrow against such funds.

F. Interest shall be credited on any balance in the member's account as long as there is a balance in the account.

§1399.7. Retirement eligibility

(1) Retirement eligibility shall be as follows: A member of the Teachers' Retirement System of Louisiana, the Louisiana School Employees' Retirement system, or a rank-and-file member of the Louisiana State Employees' Retirement System shall be eligible for retirement if he has:

(a) Five years or more of service, at age sixty-five or thereafter.

(b) Twenty years of service credit at age fifty-five, exclusive of military service and unused annual and sick leave, but any person retiring under this Subparagraph shall have his defined benefit, inclusive of military service credit and allowable unused annual and sick leave, actuarially reduced from the earliest age that he would normally become eligible for a regular retirement benefit under Subparagraph (a) of this Paragraph if he had continued in service to that age.

(2) A member of the State Police Retirement System or a hazardous duty member shall be eligible for retirement if he has:

(a) Twelve years or more of service, at age fifty-seven or thereafter.

(b) Twenty years of service credit at any age, exclusive of military service and unused annual and sick leave, but any person retiring under this Subparagraph shall have his defined benefit, inclusive of military service credit and allowable unused annual and sick leave, actuarially reduced from the earliest age that he would normally become eligible for a regular retirement benefit under Subparagraph (a) of this Paragraph if he had continued in service to that age.

§1399.8. Disability and death benefits

A.(1) The defined benefit plan disability and death benefits shall be as otherwise determined and provided in Tier 1; however, the accrual rate used to calculate any such benefits shall not exceed the member's rate in the hybrid plan.

(2) If the hybrid plan member has not met the eligibility requirements for survivors' benefits in the applicable Tier 1 plan, the system shall give his designated beneficiary or his estate the option to receive the portion of the account balance the member would otherwise have been entitled to as a lump-sum payment; a trustee-to-trustee, single-sum transfer between qualified plans; or a payment made directly to an individual retirement account.

B. A member receiving disability benefits based on defined benefit plan provisions shall be entitled access his defined contribution account as provided in R.S. 11:1399.6(C), including interest on contributions as provided in R.S. 11:1399.6(D).

C. If distributed as death benefits, a deceased member's defined contribution account shall be divided as follows:

(1) If there is a surviving spouse and no minor children, the spouse shall have the same options with respect to the account balance that the member would have had.

(2) If there is a surviving spouse and at least one minor child or child with a disability, the surviving spouse shall receive an annuity based on one-half of the account balance and the other half of the account balance shall be divided on a pro rata basis between the remaining minor children and children with a disability and annuitized.

(3) If there is no surviving spouse but there is at least one minor child, the account shall be divided on a pro rata basis between the minor children and children with a disability and annuitized.

D. If any disability retiree of the hybrid retirement plan who is under his normal retirement age is restored to active service, his defined benefit retirement allowance and ability to access his defined contribution account shall cease, he shall again become a member of the retirement system, and he shall contribute thereafter at the current rate in effect at the time he is restored to service, and if he contributes for at least three years after restoration to active service, the period of time on disability shall be counted as accredited service for purposes of establishing retirement eligibility in the defined benefit portion of the plan, but not for computation of benefits. Any prior service certificate on which his service was computed at the time of his retirement shall be restored to full force and effect and, in addition, upon his subsequent retirement he shall be credited with all his service as a member. The remaining value of any annuity paid to the rehabilitated member from his defined contribution account balance shall be converted back to a lump sum and deposited into the member's defined contribution account. Contributions to the defined contribution account shall resume and be added the balance in the account at the time of restoration to active service.

§1399.9. Cost-of-living adjustments on defined benefit

A.(1) Each qualifying retiree and beneficiary of a hybrid plan member shall have the defined benefit portion of his benefit increased permanently on July first in each odd-numbered calendar year. The amount of the increase shall be the lesser of:

(a) Two percent of the benefit amount.

(b) An amount equal to the consumer price index for all urban consumers for the South as calculated by the United States Department of Labor, Bureau of Labor Statistics, for the twelve-month period ending on the May thirtieth immediately preceding the payment of the benefit increase.

(2) To be eligible for the permanent benefit increases provided in this Subsection, a retiree:

(a) Shall have been separated from employment and receiving a benefit for at least one year.

(b) Shall have attained his normal retirement age.

(3) A nonretiree survivor or beneficiary shall be eligible for the permanent benefit increases provided in this Section:

(a) If the benefits have been received by the retiree or the beneficiary or both combined for at least one year.

(b) If the retiree would have attained age sixty-five.

(4) The provisions of Subparagraph (3)(b) of this Subsection shall not apply to any person who receives benefits based on the death of a disability retiree.

B. Each permanent benefit increase provided pursuant to this Section shall be payable based only on an amount not to exceed fifty thousand dollars of the recipient's annual benefit.

C. Each time the system actuary performs an experience study, he shall also evaluate whether and to what extent contributions required to fund the benefits provided for in this Section meet or exceed such liabilities. This assessment shall be based on stochastic modeling.

§1399.10. Commingling of assets and accounting

Assets of the hybrid plan shall be commingled with assets of the other system plans for investment purposes. Assets of this plan shall be available to fund benefits of all plans within the system, including this plan. A fictitious account for this tier of benefits shall be established for the purposes of accounting for assets and liabilities of this plan and determining funding requirements of this plan.

§1399.11. Applicability

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

Section 2. This Act shall become effective on July 1, 2016; if vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on July 1, 2016, or on the day following such approval by the legislature, whichever is later.

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 66 Original 2016 Regular Session Ivey

Abstract: Establishes a hybrid retirement plan for members of state retirement systems whose first employment making them eligible for membership in a state system occurred on or after July 1, 2017.

Present law establishes 4 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 provides a defined benefit retirement plan for members of each system. Proposed law establishes a hybrid retirement plan (Hybrid Plan)—consisting of a combination of a small defined benefit pension and a defined contribution (DC) account—for members of each system whose first employment making them eligible for membership in a state system occurred on or after July 1, 2017 (hereafter referred to as "new members").

Cost Sharing

Present law establishes a fixed rate at which members must contribute to each state and statewide retirement system. Proposed law retains present law for those who are not new members. Further establishes a floating rate for new members based on an equal division of the cost of the plan for new members.

Present law establishes the formula by which employer contribution rates are calculated each year. Generally requires the employer to fund 100% of unfunded accrued liability (UAL) payments. Proposed law requires new members to split equally the cost of their benefit accruals (the "Normal Cost") and the cost of any UAL attributable to their plan. Does not require new members to pay any portion of UAL created prior to the establishment of the Hybrid Plan.

COLAs

Present law provides a mechanism for paying cost-of-living adjustments (COLAs) to retirees of state retirement systems using investment gains over and above certain pre-determined levels. Proposed law retains present law for those who are not new members. For new members, proposed law establishes a pre-funded COLA mechanism, the cost of which is split between new members and employers. Upon retirement (or death), in every odd-numbered year, a qualifying new member or beneficiary of such will receive a COLA equal to the lesser of:

(1) Two percent.

(2) The CPI-U for the South as calculated by the U.S. Dept. of Labor, Bureau of Labor Statistics, for the 12-month period ending on the May thirtieth immediately preceding the payment of the benefit increase.

Further provides that such COLA shall only be paid on the first $50,000 of a retiree or beneficiary's benefit amount.

Proposed law establishes the following qualifications for receipt of a COLA:

(1) Any retiree who has received a benefit for at least one year and who has attained at least his normal retirement age.

(2) Any nonretiree beneficiary who has received a benefit for at least one year (aggregated with any time the deceased member may have received a benefit) if the deceased member would have attained his normal retirement age.

(3) Any disability retiree or any beneficiary who receives benefits based on the death of a disability retiree if benefits have been received for at least one year.

Regular Retirement Benefits

Defined Benefit Plan

Present law provides a retirement benefit that combines average compensation with a percentage multiplier for each year of service. This calculation can be rendered as:

Accrual Rate x Years of Service x Average Compensation

Present law for TRSL, LSERS, and rank-and-file members of LASERS provides an accrual rate of 2.5% of average compensation for each year of a member's service. Proposed law retains present law for those who are not new members. Further establishes a tiered accrual rate for regular retirement benefit calculations for such new members as follows:

(1) For every year of creditable service less than 5 years the rate shall equal 1.5% of average compensation.
(2) For every year of the 5th through the 9th years of creditable service, the rate shall equal 1.75% of average compensation.
(3) For every year of the 10th through the 14th years of creditable service, the rate shall equal 2% of average compensation.
(4) For every year of the 15th through the 24th years of creditable service, the rate shall equal 2.5% of average compensation.
(5) For every year of the 25th through the 29th years of creditable service, the rate shall equal 3% of average compensation.
(6) For every year of the 30th through the 34th years of creditable service, the rate shall equal 3.25% percent of average compensation.
(7) For the 35th year of creditable service and for each year of creditable service thereafter, the rate shall equal 4% of average compensation.

Present law for STPOL and for the Hazardous Duty Services Plan (hereafter "Haz. Duty") members provides an accrual rate of 3.33% of average compensation for each year of such member's service. Proposed law retains present law for those who are not new members. Further establishes a tiered accrual rate for regular retirement benefit calculations for such new members as follows:

(1) For every year of creditable service less than 5 years the rate shall equal 2% of average compensation.
(2) For every year of the 5th through the 9th years of creditable service, the rate shall equal 2.5% of average compensation.
(3) For every year of the 10th through the 14th years of creditable service, the rate shall equal 3.25% of average compensation.
(4) For every year of the 15th through the 19th years of creditable service, the rate shall equal 3.75% of average compensation.
(5) For every year of the 20th through the 24th years of creditable service, the rate shall equal 4% of average compensation.
(6) For the 25th year of creditable service and for each year of creditable service thereafter, the rate shall equal 4.5% of average compensation.

Present and proposed law prohibit a members benefit from exceeding his average compensation.

Present law establishes a five-year vesting period for the right to a benefit from the defined benefit plan. Proposed law retains present law for all members, regardless of the date of hire.

DC Plan

Proposed law establishes a DC account with a third-party provider for each new member. Requires the board of trustees of each system to select up to three third-party providers who will administer the DC accounts for new members. Establishes criteria for the board to use in evaluating potential third-party providers. Requires each board to select from the funds offered by each provider a minimum of 10 and a maximum of 25 fund options in a range of risk and return profiles that will be offered to new members in the DC plan. Requires at least one investment option to be a fund with a guaranteed rate of return.

Proposed law provides that new member DC accounts for TRSL, LSERS, and rank-and-file members shall be credited with 10% of pay each month. Further provides that new member DC accounts for STPOL and hazardous duty members shall be credited with 12% of pay each month.

Proposed law establishes a five-year vesting period for the right to employer contributions and interest credited to the new member's account. The new member's right to access interest on employee and employer contributions made to the DC account is triggered by the member's retirement (regular or disability) or death, whichever occurs first.

Proposed law provides that if a member terminates employment prior to attaining five years of participation in the defined contribution plan, the employee is entitled to a return of all employee contributions, without interest. All interest and employer contributions will be forfeited to the system.

Proposed law further provides that if a member terminates employment after attaining five years of participation in the DC plan, but prior to retirement, he must leave his account balance with the third-party provider until the first age at which he may begin to draw an unreduced retirement benefit and may then exercise all options in proposed law for members who retire from the system.

Proposed law provides that upon retirement, a member must annuitize at least 75% of his DC account balance with the third-party provider. The member may chose the percentage of his account, up to 25%, that will not be annuitized. Any portion of the account that is not annuitized may be withdrawn in one or more lump-sum payments or rolled to another qualified retirement account, such as an IRA.

Proposed law prohibits a new member who has not terminated employment or retired from withdrawing funds from his DC account or borrowing against such funds.

Retirement Eligibility

Present law for TRSL, LSERS, and rank-and-file members of LASERS provides that a member hired on or after July 1, 2015, is eligible for regular retirement if he has:

(1) Five years of service at age 62 or thereafter.

(2) 20 years of service at any age, actuarially reduced.

Proposed law provides that, for TRSL, LSERS, and rank-and-file members of LASERS, a new member is eligible for regular retirement if he has:

(1) Five years of service at age 65 or thereafter.

(2) 20 years of service at age 55 or thereafter, actuarially reduced.

Present law for STPOL and the Hazardous Duty members of LASERS provides that a member hired on or after July 1, 2015, is eligible for regular retirement if he has:

(1) 12 years of service at age 55 or thereafter.

(2) 25 years of service at any age.

(3) 20 years of service at any age, actuarially reduced.

Proposed law provides that for STPOL and the Haz. Duty members of LASERS, a new member is eligible for regular retirement if he has:

(1) 12 years of service at age 57 or thereafter.

(2) 20 years of service at any age, actuarially reduced.

Disability & Death Benefits

Proposed law provides that disability and death benefits for new members shall be calculated as though the member had been hired prior to July 1, 2017 ("Tier 1"); however, restricts the accrual rate used in any such calculation to the hybrid plan rate applicable to the member.

Proposed law provides that if the new member did not meet the eligibility requirements for the applicable Tier 1 survivors benefits, his designated beneficiary or his estate shall receive the DC account balance the member would otherwise have been entitled to as a lump-sum or a transfer to another qualified retirement plan.

Proposed law provides that if a member does meet the Tier 1 survivor benefit qualifications, his DC account shall be divided as follows:

(1) If there is a surviving spouse and at least one minor child or child with a disability, the surviving spouse shall receive an annuity based on one half of the account balance. The other half of the account balance shall be divided pro rata between the minor children and children with disabilities and annuitized.

(2) If there is no surviving spouse but there is at least one minor child or child with a disability, the account shall be divided pro rata between the minor children and children with disabilities and annuitized.

Proposed law provides that a member receiving disability benefits from the defined benefit plan may access and annuitize his DC account, including employer contributions and all interest.

Proposed law provides that if a disability retiree who is under his normal retirement age is restored to active service, his disability benefit payments and access to the balance of his DC account shall cease. He shall resume contributions to the retirement system and if he continues in service for at least three years after restoration, the period of time spent on disability shall be counted toward normal retirement eligibility, but will not count towards calculation of benefits. Requires the remaining value of any annuity based on the DC account balance to be converted back into a lump sum and deposited into the member's account. Further provides that contributions to the member's DC account shall resume and be added to the balance in the account at the time he is restored to active service.

Applicability of Tier 1 Provisions

Proposed law provides that the provisions of the Tier 1 tier that the member would have been enrolled in but for his date of hire shall apply in any case where the provisions of the Hybrid Plan are silent.

Effective July 1, 2016.

(Amends R.S. 11:62(4)(intro. para.), (5)(intro. para.), (10)(intro. para.), and (11)(intro. para.), 102(B)(1) and (3)(a) and (d)(vi)(aa)(I) and (viii)(aa)(I), (C)(1)(a), (h), (j), (k), and (m) and (4)(a), (b)(i), and (c), and (D)(1) and (4), 102.3, 247(A)(1), (D), and (E), 542(C)(1)(intro. para.), 883.1(C)(1)(intro. para.), 927(A) and (B)(2)(a) and (b) and (3)(a)(i), 1145.1(C)(1)(intro. para.), 1332(C)(1)(intro. para.) and (F); Adds R.S.11:62(4.1), (5.1), (10.1), and (11.1), 102(C)(1)(n), 102.4, 542(C)(4)(e), 883.1(C)(4)(f), 1145.1(C)(4)(d), 1332(C)(4)(d), and 1399.1-1399.11)