

Regular Session, 2013

HOUSE BILL NO. 729 (Substitute for House Bill No. 68 by Representative Pearson)

BY REPRESENTATIVE PEARSON

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

RETIREMENT/STATE SYSTEMS: Relative to the cash balance plan for certain state employees

1 AN ACT

2 To amend and reenact R.S. 11:62(introductory paragraph), (4)(introductory paragraph),

3 (4.1), (5)(introductory paragraph), (5.1), (11)(introductory paragraph), and

4 (11.1),102(B)(1) and (3)(a) and (d)(v), (vi), and (vii), (C)(1)(introductory paragraph)

5 and (m), and (D)(1)(introductory paragraph), (d), and (e), 155, 542(A)(2)(a) and

6 (C)(4)(d) and (e), 883.1(A)(2)(a) and (C)(4)(d) and (e), 1145.1, and Chapter 7 of

7 Subtitle II of Title 11 of the Louisiana Revised Statutes of 1950, comprised of R.S.

8 11:1399.1 through 1399.9, and to enact R.S. 11:102(D)(1)(f), relative to the

9 retirement of persons employed in state government positions on or after a certain

10 date; to provide relative to participation, reemployment, service credit, eligibility,

11 credits, contributions, membership, and benefits, including benefit adjustments, in

12 a retirement system for such persons; to provide relative to administration of a plan

13 for retirement for such persons; to provide relative to expedited hearings; to provide

14 relative to the study of employee compensation; to provide relative to the adoption

15 of revised valuations; and to provide for related matters.

16 Be it enacted by the Legislature of Louisiana:

17 Section 1. R.S. 11:62(introductory paragraph), (4)(introductory paragraph), (4.1),

18 (5)(introductory paragraph), (5.1), (11)(introductory paragraph), and (11.1),102(B)(1) and

19 (3)(a) and (d)(v), (vi), and (vii), (C)(1)(introductory paragraph) and (m), and

20 (D)(1)(introductory paragraph), (d), and (e), 155, 542(A)(2)(a) and (C)(4)(d) and (e),

1 883.1(A)(2)(a) and (C)(4)(d) and (e), 1145.1, and Chapter 7 of Subtitle II of Title 11 of the  
2 Louisiana Revised Statutes of 1950, comprised of R.S. 11:1399.1 through 1399.9 are hereby  
3 amended and reenacted and R.S. 11:102(D)(1)(f) is hereby enacted to read as follows:

4 §62. Employee contribution rates established

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

8 \* \* \*

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

10 \* \* \*

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

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 Subsection D of this Section for the  
27 Teachers' Retirement System of Louisiana and except as provided in R.S. 11:102.1,  
28 102.2, and in Paragraph (5) of this Subsection, for each fiscal year, commencing with  
29 Fiscal Year 1989-1990, for each of the public retirement systems referenced in

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

8 \* \* \*

9 (3) With respect to each state public retirement system, the actuarially  
 10 required employer contribution for each fiscal year, commencing with Fiscal Year  
 11 1989-1990, shall be that dollar amount equal to the sum of:

12 (a) The employer's normal cost for that fiscal year, computed as of the first  
 13 of the fiscal year using the system's actuarial funding method ~~as~~ specified in R.S.  
 14 11:22 and taking into account the value of future accumulated employee  
 15 contributions and interest thereon, such employer's normal cost rate multiplied by the  
 16 total projected payroll for all active members including cash balance plan members  
 17 to the middle of that fiscal year. For the Louisiana State Employees' Retirement  
 18 System, effective for the June 30, 2010, system valuation and beginning with Fiscal  
 19 Year 2011-2012, the normal cost shall be determined in accordance with Subsection  
 20 C of this Section. For the Teachers' Retirement System of Louisiana, effective for  
 21 the June 30, 2011, system valuation and beginning with Fiscal Year 2012-2013, the  
 22 normal cost shall be determined in accordance with Subsection D of this Section.

23 \* \* \*

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

27 \* \* \*

28 (v) Effective July 1, 2004, and beginning with Fiscal Year 1998-1999, the  
 29 amortization period for the changes, gains, or losses of the Louisiana State

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

15 (vi) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the  
16 amortization period for the changes, gains, or losses of the Louisiana School  
17 Employees' Retirement System provided in Items (i) through (iv) of this  
18 Subparagraph and for any changes, gains, or losses attributable to the cash balance  
19 plan shall be thirty years, or in accordance with standards promulgated by the  
20 Governmental Accounting Standards Board, from the year in which the change, gain,  
21 or loss occurred. The outstanding balances of amortization bases established  
22 pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year 2000-  
23 2001; shall be amortized as a level dollar amount from July 1, 2004, through June 30,  
24 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the  
25 outstanding balances of amortization bases established pursuant to Items (i) through  
26 (iv) of this Subparagraph shall be amortized as a level dollar amount.

27 (vii) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the  
28 amortization period for the changes, gains, or losses of the Teachers' Retirement  
29 System of Louisiana provided in Items (i) through (iv) of this Subparagraph and for

1 any changes, gains, or losses attributable to the cash balance plan shall be thirty  
 2 years, or in accordance with standards promulgated by the Governmental Accounting  
 3 Standards Board, from the year in which the change, gain, or loss occurred. The  
 4 outstanding balances of amortization bases established pursuant to Items (i) through  
 5 (iv) of this Subparagraph before Fiscal Year 2000-2001; shall be amortized as a level  
 6 dollar amount from July 1, 2004, through June 30, 2029. Beginning with Fiscal Year  
 7 2003-2004, and for each fiscal year thereafter, the outstanding balances of  
 8 amortization bases established pursuant to Items (i) through (iv) of this Subparagraph  
 9 shall be amortized as a level dollar amount. For the Teachers' Retirement System of  
 10 Louisiana, effective for the June 30, 2011, system valuation and beginning with  
 11 Fiscal Year 2012-2013, amortization payments for changes in actuarial liability shall  
 12 be determined in accordance with Subsection D of this Section.

13 \* \* \*

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

19 \* \* \*

20 (m) Members in the cash balance plan.

21 \* \* \*

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

27 \* \* \*

28 (d) Cash balance plan members.



1 (4)

2 \* \* \*

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

7 (i) ~~Shall have~~ He has received a benefit for at least one year; ~~and,~~

8 (ii) ~~Shall have~~ He has attained at least age sixty;.

9 (iii) ~~Shall be~~ He was a member of Tier 1.

10 (e) Except as provided in Subparagraph (c) of this Paragraph, a nonretiree  
11 beneficiary shall be eligible for the permanent benefit increase payable on or after  
12 July 1, 2009, if all of the following requirements are met:

13 (i) ~~If benefits had~~ Benefits have been paid to the retiree or the beneficiary,  
14 or both combined, for at least one year; ~~and,~~

15 (ii) ~~In no event before the retiree would have~~ He has attained age sixty.

16 (iii) ~~If the~~ The benefits are based on Tier 1 service.

17 \* \* \*

18 §883.1. Experience account

19 A.

20 \* \* \*

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

22 (a) To the extent permitted by Paragraph (3) of this Subsection and after  
23 allocation to the consolidated amortization bases ~~as provided in~~ pursuant to R.S.  
24 11:102.2, an amount not to exceed fifty percent of the remaining balance of the prior  
25 year's net investment experience gain attributable to Tier 1 assets as determined by  
26 the system's actuary.

27 \* \* \*

28 C.

29 \* \* \*

1 (4)

2 \* \* \*

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

7 (i) ~~Shall have~~ He has received a benefit for at least one year; ~~and,~~

8 (ii) ~~Shall have~~ He has attained at least age sixty.

9 (iii) ~~Shall be~~ He was a member of Tier 1.

10 (e) Except as provided in Subparagraph (c) of this Paragraph, a nonretiree  
11 beneficiary shall be eligible for the permanent benefit increase payable on or after  
12 July 1, 2009, if all of the following requirements are met:

13 (i) ~~If benefits had~~ Benefits have been paid to the retiree or the beneficiary,  
14 or both combined, for at least one year; ~~and,~~

15 (ii) ~~In no event before the retiree would have~~ He has attained age sixty.

16 (iii) ~~If the~~ The benefits are based on Tier 1 service.

17 \* \* \*

18 §1145.1. Experience account

19 A.(1) The experience account shall be credited as follows:

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

23 (b) To the extent permitted by Paragraph (2) of this Subsection, an amount  
24 not to exceed that portion of the system's net investment income attributable to the  
25 balance in the ~~Employee Experience Account~~ experience account during the prior  
26 year.

27 (2) In no event shall the amount in the ~~Employee Experience Account~~  
28 experience account exceed the reserve necessary to grant two cost-of-living  
29 adjustments.

1           B. The ~~Employee Experience Account~~ experience account shall be debited  
2 as follows:

3           (1) An amount equal to that portion of the system's net investment loss  
4 attributable to the balance in the ~~Employee Experience Account~~ experience account  
5 during the prior year.

6           (2) An amount sufficient to fund a cost-of-living adjustment granted  
7 pursuant to Subsection C of this Section.

8           (3) In no event shall the amount in the ~~Employee Experience Account~~  
9 experience account fall below zero.

10           C.(1) In accordance with the provisions of this Section, the board of trustees  
11 may recommend to the president of the Senate and the speaker of the House of  
12 Representatives that the system be permitted to grant a cost-of-living adjustment to  
13 retirees and beneficiaries whenever the balance in the ~~Employee Experience Account~~  
14 experience account is sufficient to fully fund such benefit on an actuarial basis, as  
15 determined by the system's actuary. If the legislative actuary disagrees with the  
16 determination of the system's actuary, a cost-of-living adjustment shall not be  
17 granted. The board of trustees shall not grant a cost-of-living adjustment as provided  
18 in this Subsection unless such cost-of-living adjustment has been approved by the  
19 legislature by concurrent resolution adopted by the favorable vote of a majority of  
20 the elected members of each house. Any such cost-of-living adjustment shall be  
21 limited to and shall only be payable based on an amount not to exceed eighty-five  
22 thousand dollars of the retiree's annual benefit; however, effective for years after July  
23 1, 2007, the eighty-five thousand dollar limit shall be increased each year in an  
24 amount equal to the increase in the Consumer Price Index (United States city average  
25 for all urban consumers (CPI-U)), as prepared by the United States Department of  
26 Labor, Bureau of Labor Statistics, for the preceding calendar year, if any. Any cost-  
27 of-living adjustment granted pursuant to the provisions of this Subsection shall begin  
28 on July first following legislative approval, shall be payable annually, and shall equal  
29 an amount not to exceed the lesser of:

1 (a) Three percent.

2 (b) An amount as determined in Paragraph (2) of this Subsection.

3 (2) If the increase in the Consumer Price Index (United States city average  
4 for all urban consumers (CPI-U)), as prepared by the United States Department of  
5 Labor, Bureau of Labor Statistics, for the calendar year immediately preceding the  
6 cost-of-living adjustment is less than three percent, then the cost-of-living adjustment  
7 shall be a sum equal to the CPI-U increase for that prior calendar year, if any.

8 (3) The percentage of each recipient's cost-of-living adjustment shall be  
9 based on the benefit being paid to the recipient on the effective date of the increase.

10 (4)(a) Except as provided in Subparagraph (c) of this Paragraph, in order to  
11 be eligible for the cost-of-living adjustment, ~~there shall be the funds~~ shall be  
12 available in the experience account to pay for such an adjustment, and a retiree shall  
13 meet all of the following requirements:

14 (i) ~~Shall have~~ He received a benefit for at least one year; ~~and,~~

15 (ii) ~~Shall have~~ He has attained at least age sixty.

16 (iii) ~~Shall be~~ He was a member of Tier 1.

17 (b) Except as provided in Subparagraph (c) of this Paragraph, a non-retiree  
18 beneficiary shall be eligible for the cost-of-living adjustment, if all of the following  
19 requirements are met:

20 (i) ~~If benefits had~~ Benefits have been paid to the retiree, or the beneficiary,  
21 or both combined, for at least one year; ~~and,~~

22 (ii) ~~In no event before the retiree would have~~ He has attained age sixty.

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

24 (c) The provisions of Items (a)(ii) and (b)(ii) of this Paragraph shall not  
25 apply to any person who receives disability benefits from this system or who  
26 receives benefits based on the death of a disability retiree of this system.

27 D. The cost-of-living increase which is authorized by Subsection C of this  
28 Section shall be limited to the lesser of either two percent or an amount determined

1 as provided in Paragraph (C)(2) of this Section in or for any year in which the system  
2 does not earn the required actuarial rate of return as certified by the system's actuary.

3 E. Effective July 1, 2007, the balance in the experience account shall be zero.

4 \* \* \*

5 CHAPTER 7. CASH BALANCE PLAN FOR STATE RETIREMENT SYSTEMS

6 §1399.1. Cash balance plan creation

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

9 (1) Louisiana State Employees' Retirement System.

10 (2) Teachers' Retirement System of Louisiana.

11 (3) Louisiana School Employees' Retirement System.

12 B. For the purposes of this Chapter, the following words and phrases shall  
13 have the meanings ascribed to them in this Section unless a different meaning is  
14 plainly required by the context:

15 (1) "Tier 1" shall mean the ~~The~~ provisions of each system in effect on ~~June~~  
16 ~~30, 2013,~~ the day immediately preceding the date provided for in R.S. 11:1399.9  
17 including any special plans, ~~shall be known as "Tier 1".~~

18 (2) "Defined benefit plan" shall mean any defined benefit plan that is not a  
19 cash balance plan established pursuant to this Chapter.

20 §1399.2. Cash balance plan membership

21 A. The following employees whose first employment making them eligible  
22 for membership in one of the state systems listed in R.S. 11:1399.1(A) occurred on  
23 or after ~~July 1, 2013,~~ the date provided for in R.S. 11:1399.9 shall be members of the  
24 cash balance plan of their respective systems and shall remain members of such plan  
25 except as otherwise provided in this Section:

26 (1) Employees covered by the Louisiana State Employees' Retirement System  
27 who are not members of the Hazardous Duty Services Plan pursuant to R.S. 11:612  
28 or judges in a position specified in R.S. 11:553(1), (3) through (5), (7), or (10)  
29 through (15).

1 (2) Employees covered by the Teachers' Retirement System of Louisiana who  
2 are employed by institutions of postsecondary education or postsecondary education  
3 management boards, who do not become members of the optional retirement plan,  
4 and who are not employed for the sole purpose of providing instruction or  
5 administrative services at the primary or secondary level; including at any lab school  
6 and the Louisiana School for Math, Science, and the Arts.

7 B. (1) Except as provided in Paragraph ~~(2)~~ (C)(1) of this ~~Subsection~~ Section,  
8 any employee whose first employment making him eligible for membership in one  
9 of the state systems listed in R.S. 11:1399.1(A) occurred on or after ~~July 1, 2013~~, the  
10 date provided for in R.S. 11:1399.9 and who is not required to be a member pursuant  
11 to Subsection A of this Section may within sixty days after his employment date  
12 make an irrevocable election to join the cash balance plan of the retirement system.  
13 Except as otherwise provided in this Section, such member shall remain a member  
14 of the plan selected pursuant to this Paragraph.

15 (2) Any employee whose first employment making him eligible for  
16 membership in a state retirement system that does not have a cash balance plan  
17 occurred on or after the date provided for in R.S. 11:1399.9 who becomes employed  
18 in a position that would otherwise be covered by the cash balance plan shall have the  
19 option of joining the cash balance plan within sixty days of such employment.

20 C.(1) No member of the Hazardous Duty Services Plan shall be permitted  
21 to elect to join the cash balance plan while employed in a position covered by the  
22 Hazardous Duty Services Plan.

23 (2)(a) Any cash balance plan member who becomes employed in a position  
24 covered by the Hazardous Duty Services Plan shall no longer be considered an active  
25 member in the cash balance plan. Such member's account balance and years of  
26 active membership in the cash balance plan shall be frozen and the member shall not  
27 be allowed to transfer them to the Hazardous Duty Services Plan. Any accruals in  
28 the Hazardous Duty Services Plan shall be governed by the provisions of such plan.  
29 Such member shall have dual membership as is provided in R.S. 11:1399.8.

1           (b) The member shall be eligible to utilize the period of his active service  
2           covered by the cash balance plan for purposes of reciprocal recognition of credited  
3           service pursuant to R.S. 11:142 and Subsection D of this Section. In the application  
4           of R.S. 11:142, the member's service credit shall be determined as if the member's  
5           cash balance service had been earned as a member of the applicable Tier 1 plan.  
6           Service credit earned in the Hazardous Duty Services Plan after execution of the  
7           reciprocal agreement shall not be used to permit interest credits to the cash balance  
8           plan account.

9           (3)(a) Any member of the Hazardous Duty Services Plan whose first  
10           employment making him eligible for membership in one of the state systems listed  
11           in R.S. 11:1399.1(A) occurred on or after the date provided for in R.S. 11:1399.9  
12           who becomes employed in a position covered by the cash balance plan shall no  
13           longer be considered an active member in the Hazardous Duty Services Plan. Such  
14           member shall have his years of creditable service and final compensation in the  
15           Hazardous Duty Services Plan frozen and such member shall become a member of  
16           the cash balance plan. The member shall not be allowed to transfer his years of  
17           service and final compensation from the Hazardous Duty Services Plan to the cash  
18           balance plan. The member's account balance and years of active service in the cash  
19           balance plan shall start from zero, and any accruals in the cash balance plan shall be  
20           governed by the provisions of this Chapter. Such member shall have dual  
21           membership as provided in R.S. 11:1399.8.

22           (b) The member shall be eligible to utilize the period of his active service  
23           covered by the cash balance plan for purposes of reciprocal recognition of credited  
24           service pursuant to R.S. 11:142 and Subsection D of this Section. In the application  
25           of R.S. 11:142, the member's service credit shall be determined as if the member's  
26           cash balance service had been earned as a member of the applicable Tier 1 plan.

27           (4)(a) Any member electing to join the cash balance plan pursuant to  
28           Paragraph (B)(2) of this Section shall have his years of creditable service and final  
29           compensation in his former system frozen and such member shall become a member

1 of the cash balance plan. The member shall not be allowed to transfer his years of  
2 service and final compensation from his former system to the cash balance plan. The  
3 member's account balance and years of active service in the cash balance plan shall  
4 start from zero, and any accruals in the cash balance plan shall be governed by the  
5 provisions of this Chapter. Such member shall have dual membership as provided  
6 in R.S. 11:1399.8.

7 (b) The member shall be eligible to utilize the period of his active service  
8 covered by the cash balance plan for purposes of reciprocal recognition of credited  
9 service pursuant to R.S. 11:142 and Subsection D of this Section. In the application  
10 of R.S. 11:142, the member's service credit shall be determined as if the member's  
11 cash balance service had been earned as a member of the applicable Tier 1 plan.

12 (5)(a) A member of a cash balance plan of one system who becomes a  
13 member of a cash balance plan in another system is entitled to one of the following  
14 options:

15 (i) To execute the withdrawal provided for in R.S. 11:1399.3(D) and to  
16 transfer the amount the member is entitled to receive from the first cash balance plan  
17 account pursuant to R.S. 11:1399.3(D)(1) or (2) to the second cash balance plan  
18 account.

19 (ii) To leave his first cash balance account balance with the first retirement  
20 system and utilize a reciprocal recognition of credited service agreement pursuant  
21 to R.S. 11:142. In the application of R.S. 11:142, the member's service credit shall  
22 be determined as if the member's cash balance service had been earned as a member  
23 of the applicable Tier 1 plan. Service credits earned in the second cash balance plan  
24 after execution of the reciprocal agreement shall not be used to permit interest credits  
25 to the account in the first cash balance plan.

26 (b) If the member elects the option in Item (a)(i) of this Paragraph, all years  
27 of the member's period of active service covered by the cash balance plan from  
28 which he is transferring shall be transferred to the receiving system. All  
29 responsibility for tracking the period of active service in the cash balance plan and

1        for providing Tier 1 disability or survivor benefits shall also be transferred to the  
2        receiving system. For purposes of determining eligibility for Tier 1 disability and  
3        survivor benefits, the receiving system shall apply the service credit, accrual rate,  
4        eligibility, and benefit calculation provisions as those plan provisions would be  
5        applied to a Tier 1 member who executes a transfer pursuant to R.S. 11:143.

6                D. Any cash balance plan member in a position covered by the optional  
7        retirement plan of the Teachers' Retirement System of Louisiana may make an  
8        irrevocable election to participate in the optional retirement plan pursuant to R.S.  
9        11:925. Such member may withdraw from the cash balance plan and transfer to his  
10       optional retirement plan account an amount equal to what he is entitled to pursuant  
11       to R.S. 11:1399.3(D)(1) or (2), as applicable.

12               E. Any member of a cash balance plan who becomes employed in a position  
13       covered by a system other than a system provided in R.S. 11:1399.1(A) shall become  
14       a member of the new system and shall have the following options relative to his cash  
15       balance plan account:

16               (1) The member may leave his account balance in the former cash balance  
17       plan and exercise all rights and options he is entitled to as a member of such system,  
18       including withdrawal pursuant to R.S. 11:1399.3(D)(1) or (2), as applicable.

19               (2) The member may execute a reciprocal recognition of service agreement  
20       pursuant to R.S. 11:142. In the application of R.S. 11:142, the member's service  
21       credit shall be determined as if the member's cash balance service had been earned  
22       as a member of the applicable Tier 1 plan. Service credits earned in the new system  
23       after execution of the reciprocal agreement shall not be used to permit interest credits  
24       in the cash balance plan account.

25               F. The board of trustees of the Louisiana State Employees' Retirement  
26       System shall promulgate rules and regulations regarding the implementation,  
27       recognition, and application of reciprocal recognition of service agreements between  
28       plans in its system.

1           G. No member of the cash balance plan shall be allowed to transfer in  
2           benefits or years of service from a defined benefit plan in any Louisiana public  
3           retirement system, plan, or fund.

4           H. No member of the cash balance plan shall be authorized to purchase  
5           service credit in such plan.

6           §1399.3. Cash balance plan account accumulation

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

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

11          B. Credits. ~~The~~ For the period of active service covered by the cash balance  
12          plan, the cash balance plan member's account shall be credited monthly with an  
13          amount equal to twelve percent of ~~pay monthly~~ earned compensation or earnable  
14          compensation, as applicable. The credits shall include all employee contributions.

15          C. Interest. (1) For the ~~duration~~ period of active service covered by the cash  
16          balance plan, interest shall be payable on the member's account at the end of each  
17          plan year at a rate equal to the system's actuarial rate of return as certified by the  
18          system actuary in the system's actuarial valuation, less one percent, up to a maximum  
19          credit of ten percent. Interest shall be credited after the Public Retirement Systems'  
20          Actuarial Committee adopts the system's valuation containing the actuarial rate of  
21          return on investments, ~~and shall be based on the balance of the account at the end of~~  
22          ~~each month for the prior plan year.~~ For a member whose period of active service in  
23          a plan year is less than the full plan year, the interest credit shall be based on the  
24          balance of the account at the end of his last month of active service.

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

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

1 D. Withdrawal from the cash balance plan. A cash balance plan member who  
2 separates from employment covered by his retirement system may withdraw from  
3 the cash balance plan.

4 (1) Upon application for withdrawal, an employee ~~who has been a~~ whose  
5 period of active service covered by the cash balance plan member for was less than  
6 five years shall receive a refund of employee contributions without interest. ~~The~~  
7 ~~system shall retain all~~ All interest and any employer contributions shall be forfeited  
8 to the system.

9 (2) Upon application for withdrawal, an employee ~~who has been a~~ whose  
10 period of active service covered by the cash balance plan member for was five years  
11 or longer may receive a lump-sum payment of his account balance or the distribution  
12 of his total account balance in the form of a trustee-to-trustee, single-sum transfer  
13 between qualified plans or as a payment made directly to ~~a conduit~~ an individual  
14 retirement account. The employee may opt to leave his account balance with the  
15 system and draw an annuity pursuant to R.S. 11:1399.4 when he attains age sixty.

16 (3)~~(a)~~ A cash balance plan member shall be eligible to utilize ~~the years of his~~  
17 ~~membership in~~ period of active service covered by the cash balance plan for  
18 purposes of reciprocal recognition of credited service pursuant to R.S. 11:142. In the  
19 application of R.S. 11:142, the member's service credit shall be determined as if the  
20 member's cash balance service had been earned as a member of the applicable Tier  
21 1 plan.

22 ~~(b) A cash balance plan member who elects to withdraw from the cash~~  
23 ~~balance plan after becoming a member of a cash balance plan in another Louisiana~~  
24 ~~public retirement system may execute the withdrawal provided for in this Subsection~~  
25 ~~to transfer the amount the member is entitled to receive pursuant to Paragraphs (1)~~  
26 ~~or (2) of this Subsection to a cash balance plan in another retirement system.~~

27 (4) If a cash balance plan member dies without withdrawing from the cash  
28 balance plan pursuant to this Subsection or annuitizing his benefit pursuant to R.S.  
29 11:1399.4, the following shall apply:

1 (a) The applicable Tier 1 plan shall be the plan in which the member would  
2 have been enrolled in the absence of the cash balance plan. For purposes of this  
3 Paragraph, the member's service credit, accrual rate, eligibility, and benefit  
4 calculation shall be determined as if the member's cash balance service had been  
5 earned as a member of the applicable Tier 1 plan.

6 (b) If the cash balance plan member is survived by a spouse only and the  
7 cash balance plan member met the eligibility requirements for survivors' benefits in  
8 the applicable Tier 1 plan, the spouse may choose one of the following options:

9 (i) To receive the account balance in the cash balance plan as a lump-sum  
10 payment; a trustee-to-trustee, single-sum transfer between qualified plans; or a  
11 payment made directly to ~~a conduit~~ an individual retirement account.

12 (ii) To receive the applicable Tier 1 survivors' benefit.

13 (c) If the cash balance plan member is survived by a minor or by a  
14 handicapped or mentally disabled child of any age and the cash balance plan member  
15 met the eligibility requirements for survivors' benefits in the applicable Tier 1 plan,  
16 all survivors otherwise qualifying under the Tier 1 plan shall receive the Tier 1  
17 survivors' benefits but shall not receive the balance in the cash balance account  
18 ~~balance~~.

19 (d) If the cash balance plan member has not met the eligibility requirements  
20 for survivors' benefits in the applicable Tier 1 plan, ~~the system shall give~~ his  
21 designated beneficiary or his estate shall have the option to receive his account  
22 balance as a lump-sum payment; a trustee-to-trustee, single-sum transfer between  
23 qualified plans; or a payment made directly to ~~a conduit~~ an individual retirement  
24 account.

25 (e) Subject to the provisions of R.S. 11:1399.7, if a survivor is eligible to and  
26 ~~elects to receive~~ a Tier 1 survivors' benefit, the account balance in the cash balance  
27 plan shall be ~~retained by the retirement system~~ forfeited to the system by the  
28 survivor.

1           (f) Tier 1 survivor benefits received pursuant to this Paragraph shall be  
2 governed by the applicable Tier 1 plan provisions.

3           (5)(a)(i) If a cash balance plan member ~~becomes~~ meets the eligibility  
4 requirements for disability benefits in Tier 1 and is certified disabled pursuant to the  
5 applicable Tier 1 provisions before withdrawing from the cash balance plan pursuant  
6 to this Subsection or becoming eligible for retirement ~~annuitizing his benefit~~  
7 pursuant to R.S. 11:1399.4, ~~the following shall apply:~~ the member shall receive the  
8 applicable Tier 1 disability benefit.

9           ~~(a)(ii)~~ For purposes of this Subparagraph, the ~~The~~ applicable Tier 1 plan is  
10 the plan in which the member would have been enrolled in the absence of the cash  
11 balance plan. For purposes of this ~~Paragraph~~ Subparagraph, the member's service  
12 credit, accrual rate, eligibility, and benefit calculation shall be determined as if the  
13 member's cash balance service had been earned as a member of the applicable Tier  
14 1 plan.

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

16           ~~(i)~~ To receive his cash balance account balance as a lump-sum payment; a  
17 trustee-to-trustee, single-sum transfer between qualified plans; or a payment made  
18 directly to a conduit individual retirement account.

19           ~~(ii)~~ To receive the applicable Tier 1 disability benefit if the member  
20 otherwise meets the eligibility requirements for disability benefits in Tier 1.

21           ~~(b)(i)~~ If a cash balance plan member meets the eligibility requirements for  
22 disability benefits in Tier 1 and is certified disabled pursuant to the applicable Tier  
23 1 provisions after attaining retirement eligibility or if a cash balance plan member  
24 attains retirement eligibility while receiving disability benefits pursuant to Item (a)(i)  
25 of this Paragraph, the member shall choose one of the following options:

26           ~~(aa)~~ To receive or continue to receive, as applicable, the applicable Tier 1  
27 disability benefit. For purposes of this Subitem, the applicable Tier 1 plan is the plan  
28 in which the member would have been enrolled in the absence of the cash balance  
29 plan. For purposes of this Subitem, the member's service credit, accrual rate,

1 eligibility, and benefit calculation shall be determined as if the member's cash  
2 balance service had been earned as a member of the applicable Tier 1 plan.

3 (bb) To retire under the provisions of the cash balance plan.

4 (ii) Notwithstanding any provision of this Chapter to the contrary, if a  
5 member elects to receive or continue to receive the applicable Tier 1 disability  
6 benefit pursuant to Subitem (i)(aa) of this Subparagraph, his account balance shall  
7 be forfeited to the retirement system. If the member subsequently returns to active  
8 service, his service credit shall be reestablished but his account balance shall begin  
9 again from zero.

10 (c) Except as provided in Items (i) and (ii) of this Subparagraph and subject  
11 Subject to the provisions of R.S.11:1399.7, if a cash balance plan member is eligible  
12 to and ~~elects to receive~~ a Tier 1 disability benefit, the account balance in the cash  
13 balance plan shall be retained by the retirement system. The system shall retain the  
14 account balance until the death of the member, upon which occurrence the account  
15 balance shall be forfeited to the system.

16 (i) If a cash balance plan member's disability benefit ceases pursuant to  
17 applicable law and the member does not return to active service covered by the same  
18 system's cash balance plan, he shall be entitled to receive one of the following:

19 (aa) The member's account balance, which had been retained by the  
20 retirement system, less the amount of disability benefits received by the member.

21 (bb) An annuity, based on the member's account balance at the time he  
22 ceases to be eligible for disability benefits less the amount of disability benefits  
23 received by the member. Notwithstanding any provision of law to the contrary, such  
24 annuity shall be payable upon application by the member, regardless of the member's  
25 age at the time of application, and shall be paid as otherwise provided in R.S.  
26 11:1399.4(B)(1).

27 (ii) If a cash balance plan member's disability benefit ceases pursuant to  
28 applicable law as a result of the member's return to active service covered by the  
29 same system's cash balance plan, his account balance retained by the retirement

1 system shall be restored. The member's accumulation pursuant to R.S. 11:1399.3  
2 shall resume and the time period within which he received a disability benefit shall  
3 not be considered active service in the cash balance plan.

4 (d) Tier 1 disability benefits received pursuant to this Paragraph shall be  
5 governed by the applicable Tier 1 plan provisions.

6 §1399.4. Retirement eligibility; benefit calculation

7 A. Eligibility for retirement. A cash balance plan member ~~with~~ whose period  
8 of active service covered by the plan is at least five years of membership in the cash  
9 ~~balance plan~~ is eligible to draw an annuity beginning at age sixty. The annuity  
10 payment amount shall be calculated as provided in Subsection B of this Section.

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

18 (b) The system shall annuitize the retirement benefit using an annuity rate  
19 based upon the actuarial assumptions in use by the system as of the date of  
20 retirement. The system actuary may modify the assumptions to reflect any changes  
21 quantified in an experience study and incorporated into a valuation adopted by the  
22 Public Retirement Systems' Actuarial Committee, demonstrating a statistically  
23 significant difference between the mortality experience of cash balance participants  
24 in the system electing to receive benefits in an annuity form and that of system  
25 annuitants generally.

26 (2) No member of the cash balance plan shall be eligible to participate in any  
27 deferred retirement option plan or program or any similar retirement option that  
28 requires continued employment for participation, nor shall such a member be eligible  
29 to participate in any back-deferred retirement option plan or program. However, a

1 cash balance plan member may participate in any initial benefit option, initial lump-  
2 sum benefit option, or any similar retirement option designed to provide a reduced  
3 annuity in exchange for a lump-sum payment which is selected upon ~~separation from~~  
4 service retirement.

5 §1399.5. Reemployment; refund of contributions prohibited

6 A. If, after withdrawing from the cash balance plan upon separation from  
7 service or after annuitizing his benefit, a former cash balance plan member or cash  
8 balance plan retiree ~~becomes reemployed~~ returns to active service in a position  
9 covered by the same system's cash balance plan, ~~the person's accumulation in the~~  
10 ~~cash balance plan pursuant to R.S. 11:1399.3~~ membership in the cash balance plan  
11 shall begin again with a new account. Such a cash balance plan member shall be  
12 considered a new member for all purposes under the provisions of the plan and shall  
13 not be allowed to reestablish service credit by refunding contributions or lump-sum  
14 payments.

15 B. ~~However, the reemployment~~ A former cash balance plan member or cash  
16 balance plan retiree's return to active service shall not affect the receipt of ~~the lump~~  
17 ~~sum or~~ annuitized payments pursuant to R.S. 11:1399.4 from the first cash balance  
18 account. A cash balance plan member's receipt of a lump sum, or a trustee-to-trustee,  
19 single-sum transfer between qualified plans, or as payment made directly to an  
20 individual retirement account shall be subject to applicable federal law.

21 §1399.6. Application

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

26 §1399.7. Guaranteed return of employee contributions

27 ~~In~~ Notwithstanding any provision of law to the contrary, in no case shall a  
28 retirement system pay total benefits of an amount less than the total of the  
29 employee's accumulated contributions. Where the total benefits received prior to an

1        ~~employee's death or the cessation of disability benefits pursuant to applicable law are~~  
2        ~~is~~ less than the employee's total contributions, the difference shall be paid to the  
3        estate of the decedent or the retiree, as applicable.

4        §1399.8. Dual Membership

5            A. Any defined benefit plan member who also has membership in a cash  
6        balance plan pursuant to R.S. 11:1399.2, shall be considered a member of both plans.  
7        Subject to applicable federal law, a member of both plans is entitled to all options,  
8        obligations, and benefits of each respective plan, and subject to the provisions of  
9        Subsection C of this Section, no action or decision with respect to one plan shall be  
10       construed as an action or decision affecting the other plan.

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

13           (1) "Dual member" shall mean a member of any plan in a defined benefit  
14        plan who is also a member of the cash balance plan pursuant to R.S. 11:1399.2.

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

21           C. For dual members:

22           (1) A dual member who is an active contributing member of one plan shall  
23        not be eligible to access any account balances or benefits in the other plan without  
24        withdrawal or retirement from both plans.

25           (2) Any dual member who does not execute a reciprocal recognition of  
26        credited service agreement pursuant to R.S. 11:142 and who retires under the  
27        provisions of a defined benefit plan and who has less than five years of active  
28        participation in a cash balance plan may exercise the options set forth in R.S.

1       11:1399.3 or may leave his cash balance plan account balance with the system until  
2       a future return to active service.

3               (3) Any dual member who does not execute a reciprocal recognition of  
4       credited service agreement pursuant to R.S. 11:142 and who retires or withdraws  
5       from the cash balance plan pursuant to the provisions of such plan and who does not  
6       have sufficient years of service credit in the defined benefit plan to become eligible  
7       for retirement without accruing additional service credit may exercise any option  
8       available to him as a member of the defined benefit plan, including the withdrawal  
9       of such contributions, or may maintain his defined benefit contributions and  
10       corresponding service credit with the system.

11               (4)(a) Notwithstanding any provision of R.S. 11:1399.2(C), a dual member  
12       shall be considered an active contributing member in active service for purposes of  
13       determining disability retirement eligibility and survivor benefits.

14               (b) Any defined benefit plan disability or survivor benefits for which the  
15       dual member is eligible shall be calculated based on his service in the defined benefit  
16       plan.

17               (5) A dual member who retires under the provisions of a defined benefit plan  
18       shall be subject to the governing provisions of such plan with respect to his benefit  
19       from that plan. For dual members of the Teachers' Retirement System of Louisiana,  
20       this shall include R.S. 11:710.

21               D. Nothing in this Section shall be construed to authorize an in-service  
22       distribution.

23       §1399.9 Applicability

24               A. The provisions of this Chapter shall apply to persons first hired on or after  
25       the date that is six months after receipt by the division of administration of a  
26       favorable ruling from the Internal Revenue Service on the Social Security  
27       equivalency of this plan.

1           B. The division of administration shall, within two business days of receipt  
2           of any ruling from the Internal Revenue Service on the Social Security equivalency  
3           of the plan, transmit a copy of such ruling to the following parties:

4           (1) The speaker of the Louisiana House of Representatives.

5           (2) The president of the Louisiana Senate.

6           (3) The chairman of the House Committee on Retirement.

7           (4) The chairman of the Senate Committee on Retirement.

8           (5) The director of the Teachers' Retirement System of Louisiana.

9           (6) The director of the Louisiana State Employees' Retirement System.

10          (7) The director of the Louisiana School Employees' Retirement System.

11          (8) The legislative auditor.

12          Section 2. Within sixty days after receipt by the division of administration of a  
13 favorable ruling from the Internal Revenue Service as provided in R.S. 11:1399.9 of this Act,  
14 the Public Retirement Systems' Actuarial Committee may meet and adopt an actuarial  
15 valuation to be utilized by a system to which the provisions of this Act apply for the fiscal  
16 year in which the Act becomes effective, calculated in accordance with R.S. 11:102.

17          Section 3. Because the legislature finds and declares that questions of law may be  
18 raised concerning provisions of this Act, the public welfare requires that such questions of  
19 law be expeditiously resolved prior to such time as its provisions take effect to avoid  
20 disruption of the orderly implementation of its provisions. Therefore, the legislature finds  
21 that an expedited hearing schedule for actions filed relative to this Act should be  
22 immediately made available in order to avoid confusion by the public. Venue for any action  
23 shall be in the Nineteenth Judicial District Court for the Parish of East Baton Rouge. In the  
24 interest of further expediting this procedure, courts are urged to minimize all unnecessary  
25 delays and to resolve any questions of law no later than thirty days prior to the pre-filing  
26 deadline for retirement legislation for the 2014 Regular Session of the Legislature of  
27 Louisiana. The courts may suspend all applicable rules of court for this limited purpose.

28          Section 4. The division of administration shall conduct a cost benefit analysis of  
29 providing an increased pay scale for employees hired on or after the effective date of Section

1 1 of this Act to provide employees with the opportunity to develop a retirement plan or other  
2 investment opportunities in addition to the plan established by this Act.

3 Section 5. The provisions of this Act shall become effective upon signature by the  
4 governor or, if not signed by the governor, upon expiration of the time for bills to become  
5 law without signature by the governor, as provided by Article III, Section 18 of the  
6 Constitution of Louisiana. If vetoed by the governor and subsequently approved by the  
7 legislature, this Act shall become effective on the day following such approval.

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### DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

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Pearson

HB No. 729

**Abstract:** Provides for the retirement of state employees hired on or after a certain date.

#### ESTABLISHMENT OF PLAN & DELAYED EFFECTIVE DATE

Present law establishes a cash balance retirement plan (CBP) in LASERS, TRSL, and LSERS for certain employees.

Present law provides that CBP becomes an active plan on July 1, 2013. Proposed law delays the implementation of the CBP provisions until the date six months after the division of administration receives a favorable ruling from the Internal Revenue Service (IRS) regarding the Social Security equivalency of the CBP. Further requires the division of administration to transmit a copy of any ruling from the IRS regarding the Social Security equivalency of the plan to the following parties within two business days of receipt of such ruling:

- (1) The speaker of the House.
- (2) The president of the Senate.
- (3) The chairman of the House Committee on Retirement.
- (4) The chairman of the Senate Committee on Retirement.
- (5) The director of TRSL.
- (6) The director of LASERS.
- (7) The director of LSERS.
- (8) The Legislative Auditor.

As explained in more detail below, present law requires either the enrollment or the option for enrollment in the CBP for state employees of these systems whose first employment making them eligible for state system membership begins on or after July 1, 2013. Proposed law changes this date from July 1, 2013, to the date 60 days after the division of administration receives a favorable ruling from the IRS regarding the Social Security equivalency of the CBP.

#### CONTRIBUTION RATES

Present law (R.S. 11:62) establishes employee contribution rates for members of state and statewide systems and the various subplans within such systems, including the CBP.

Provides that the employee contribution rate in the CBP is 8%. Proposed law makes technical changes to present law.

Present law (R.S. 11:102) establishes how employer contribution rates are calculated for each system. Proposed law retains present law.

For LASERS and TRSL, present law further requires the calculation of individualized contribution rates for the subplans within each system. Proposed law adds the CBP as a discrete subplan within the TRSL system for the purposes of employer contribution rates.

#### MEMBERSHIP

Present law requires membership in the CBP for the following members whose first employment making them eligible for state system membership begins on or after July 1, 2013:

- (1) All non-hazardous duty members of LASERS.
- (2) Members of TRSL employed at an institution of higher education or a management board of institutions of higher education, who are not employees of lab schools or the Louisiana School for Math, Science, and the Arts.

Proposed law removes judges first elected on or after the effective date of the plan from being required to participate in the CBP. The CBP would be optional for these officials. Otherwise retains present law.

Proposed law changes the date on and after which such employees are required to be enrolled in the CBP (see Establishment & Delayed Effective Date, above). Proposed law otherwise retains present law. Further provides that all members required by present law to be in the CBP shall remain members of the CBP except as provided in proposed law.

Present law further provides any member whose first employment making him eligible for state system membership begins on or after July 1, 2013 who is not required to be in the CBP pursuant to present law may make an irrevocable election to join the CBP within 60 days of employment. Proposed law changes the date on and after which such employees shall have the option to enroll in the CBP (see Establishment & Delayed Effective Date, above). Proposed law otherwise retains present law and further provides that the member shall remain a member of the selected plan except as provided in proposed law.

Present law provides that members of the Hazardous Duty Services Plan in LASERS may not elect to join the CBP. Proposed law provides that members of the Hazardous Duty Services Plan in LASERS may not elect to join the CBP while employed in a position covered by the Hazardous Duty Services Plan.

Proposed law provides for "dual membership" for certain CBP members in the following circumstances:

- (1) A CBP member who becomes employed in a position covered by the Hazardous Duty Services Plan.
- (2) A Hazardous Duty Services Plan member who becomes employed in a position covered by the CBP
- (3) A member of a state system that does not have a CBP, first hired on or after the delayed effective date of the CBP, who becomes employed in a position covered by the CBP and who elects to join the CBP pursuant to present law.

- (4) A CBP member who becomes employed in a position covered by a CBP in another state retirement system.

For such a member, proposed law provides that upon employment in the new position, the member's years of creditable service and account balance or average compensation, as applicable, shall be frozen. The member shall be treated as a brand new member of the new plan and his accruals shall begin from zero. Such member shall be governed by the "dual membership" provisions of proposed law, outlined below. Proposed law further provides that such member shall be eligible to utilize a reciprocal recognition of creditable service agreement pursuant to present law to access accrued benefits in both plans. Further provides that after execution of such reciprocal agreement, earned service credits in the new plan shall not authorize interest credits in a frozen CBP account.

Present law provides for members transferring from a CBP in one system to a CBP in another system. Authorizes such member to withdraw from the first CBP, pursuant to present law, and transfer the amount he would otherwise be entitled to under present law to the new CBP. Proposed law retains present law and further provides that if the member executes such a transfer, all years of the member's period of active service covered by the CBP from which he is transferring shall be transferred to the new system. Further provides that all responsibility for tracking Tier 1 survivor and disability benefit eligibility and responsibility for paying such benefits shall also be transferred to the receiving system. Proposed law requires such Tier 1 benefits to be calculated as though the member had executed a transfer between regular defined benefit plans pursuant to present law.

Present law further allows a CBP member who leaves the CBP in one system for another Louisiana public retirement system, plan, or fund, including a CBP in another system, the option of leaving his first CBP account balance with the first system and utilizing a reciprocal recognition of credited service agreement pursuant to present law to access his accrued benefits in both plans. Proposed law retains present law and further provides that for the application of reciprocal agreements, service credit shall be determined as if the member's cash balance service had been earned as a member of the applicable Tier 1 plan. Further provides that after execution of such reciprocal agreement, earned service credits in the new plan shall not authorize interest credits in a frozen CBP account.

Proposed law further explicitly provides relative to CBP members who become employed in a position covered by a system that does not have a CBP. Under proposed law such member shall have the following options:

- (1) Maintain his membership in the CBP and be entitled to all rights and options he is eligible for under present law as a member of such system, including withdrawal of any amount he is otherwise entitled to pursuant to present law.
- (2) To execute a reciprocal recognition of service agreement pursuant to present law. Further provides that after execution of such reciprocal agreement, earned service credits in the new plan shall not authorize interest credits in a frozen CBP account.

Present law (R.S. 11:142) provides for reciprocal recognition of creditable service agreements between Louisiana public retirement systems, plans, or funds. Proposed law retains present law and further provides for reciprocal recognition of creditable service agreements between plans within a system. Proposed law further requires the board of trustees of LASERS to promulgate rules and regulations regarding the implementation, recognition, and application of reciprocal recognition of service agreements between plans in their system.

Proposed law prohibits a CBP member from transferring into the CBP any benefits or years of creditable service from a defined benefit plan in any Louisiana public retirement system, plan, or fund.

Proposed law further prohibits a CBP member from purchasing service credit in a CBP.

Present law prohibits a CBP member from participating in the Deferred Retirement Option Program (DROP) or any similar program. Proposed law retains present law.

#### DUAL MEMBERSHIP

Proposed law requires certain members to have membership in both a regular defined benefit plan and a CBP. Proposed law therefore provides for the dual membership of such members. Provides that membership in both plans are independent from each other and that an option exercised in one plan shall not affect the membership in another plan. Provides rules as follows:

- (1) If a dual member is an active, contributing member of one plan he shall not be eligible to access any account balances or benefits in his former plan without withdrawal or retirement from both plans.
- (2) If a dual member retires under the regular defined benefit plan without executing a reciprocal recognition of creditable service agreement, and such member has less than 5 years of active participation in the CBP, such member may either withdraw from the CBP pursuant to present law or maintain his membership in the CBP by leaving his account balance with the system anticipating a future return to active service in such plan.
- (3) If a dual member retires or withdraws from the CBP without executing a reciprocal recognition of creditable service agreement, and such member does not have sufficient years of service credit in the regular defined benefit plan to become eligible for retirement in such plan without working longer, such member may exercise any option available to him under present law as a non-vested member of such plan.
- (4) Notwithstanding any provision of present and proposed law to the contrary, a dual member shall be considered an active contributing member of both plans for the purposes of determining disability and survivor benefits. Further provides that any regular defined benefit plan disability or survivor benefits for which the dual member is eligible shall be calculated based on his service in the regular defined benefit plan.
- (5) If a member retires from a regular defined benefit plan, he shall be subject to present law governing such plan with respect to his benefit from such plan. Further provides that this includes return to work provisions for members of TRSL.

Proposed law provides that nothing in proposed law shall be construed to authorize an in-service distribution.

#### BENEFITS

Under present law, the CBP has the following general benefit design, which is further detailed below:

- (1) Employee contributions of 8% of pay.
- (2) Additional pay credits of 4% of pay, plus interest, for the duration of state service.
- (3) Account balance is not debited for investment losses.
- (4) Eligibility to have account balance paid as a life time annuity beginning at age 60.

Proposed law retains present law.

Present law provides the following with respect to withdrawal of members of the CBP:

- (1) Eligibility to withdraw employee contributions at any time after separation from service with less than five years of participation.
- (2) Eligibility to withdraw the full account balance (all pay credits and interest) at any time after separation from service with five or more years of participation.

Proposed law retains present law but changes the period from "5 years of membership" to "5 years of active service".

Present law provides that if a member with less than 5 years withdraws from the system, the system shall retain all interest and any employer contributions. Proposed law changes this to say that all interest and any employer contributions shall be forfeited to the system.

Present law creates individual CBP nominal accounts within the retirement system trust containing annual pay credits of 12%, which includes the employee's 8% contribution. Proposed law retains present law.

Present law provides for an interest credit to each member's account equal to one percentage point less the system's achieved actuarial rate of return. Proposed law places a 10% cap on the interest credited to the member's account.

Present law provides that a CBP member with 5 or more years of membership may opt to leave his account balance with the system and draw an annuity pursuant to present law when the member attains age 60. However, no further credits or interest will be added to his account. Proposed law retains present law but changes the time for eligibility of such benefit from "5 or more years of membership" to "5 or more years of active participation".

Present law provides for reciprocal recognition of service under present law. Proposed law provides that for the purposes of application of a reciprocal recognition of service agreement to a cash balance plan account, the member's service credit shall be determined as if the member's cash balance service had been earned as a member of the applicable Tier 1 plan.

Present 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. Proposed law retains present law. Present law provides for such election to be made upon separation from service. Proposed law provides for such election to be made upon retirement instead.

Present law, provides that if a CBP member withdraws from the plan or annuitizes his benefit and then becomes reemployed in a position covered by the CBP, accumulation in the CBP shall resume. Such reemployment shall not, however, affect his receipt of the lump sum or annuity from his first cash balance account.

#### SURVIVOR BENEFITS

Present law provides for survivor benefits for members of the CBP. Provides that if the decedent leaves no surviving children, the surviving spouse may receive either:

- (1) The benefit he would have been entitled to had the deceased been in the Tier 1 plan.
- (2) The lump sum of the deceased's CBP account balance.

Provides that if the decedent leaves surviving children, allows the spouse and surviving children to receive the present law survivor benefit available to members of the Tier 1 plan.

If the deceased member did not meet the present law survivor benefit eligibility requirements, the designated beneficiary or the deceased's estate may elect to receive the CBP account balance.

Proposed law retains present law.

Present law provides that, subject to applicable federal law, if a survivor is eligible to and elects to receive a Tier 1 survivor benefit, the CBP account balance shall be retained by the system. Proposed law retains applicable federal law restrictions and further provides that if a survivor is eligible to and receives a Tier 1 survivor benefit, the beneficiary forfeits the CBP account balance to the system.

Proposed law further provides that survivor benefits received pursuant to present law regarding CBP shall be governed by the applicable Tier 1 plan provisions.

#### DISABILITY BENEFITS

Present law provides for disability benefits for members of the CBP. Allows the member to elect to receive either:

- (1) The lump-sum of his CBP account balance.
- (2) The present law disability benefit available to members of the Tier 1 plan, if the CBP member otherwise meets the eligibility requirements for such benefit.

Proposed law breaks the disability benefits in the CBP down into two portions:

- (1) For members who are certified as disabled pursuant to the applicable Tier 1 provisions before becoming eligible for retirement in the CBP, the member shall receive the applicable Tier 1 disability benefit if the member otherwise meets the eligibility requirements for disability in such Tier 1 plan.
- (2) For members who are certified as disabled after attaining retirement eligibility in the CBP plan, or who while otherwise receiving disability benefits under proposed law attain the normal retirement age required in the applicable Tier 1 plan, the member shall have the following options:
  - (a) To retire under the provisions of the CBP.
  - (b) To elect to receive, or elect to continue to receive, the applicable Tier 1 disability benefit.

Proposed law further provides that if the retirement eligible member elects to receive the Tier 1 disability benefit, the member's CBP account balance shall be forfeited to the system. Further provides that if such member subsequently returns to active service, his service credit shall be restored, but his account balance shall not.

Present law provides that, except as provided in federal law, if a cash balance plan member is eligible to and elects to receive a Tier 1 disability benefit, the account balance in the CBP shall be retained by the system. Proposed law retains applicable federal law and provides that if a member is eligible to and receives a Tier 1 disability benefit, the account balance in the CBP shall be permanently retained by the system, except as provided in proposed law:

- (1) If the member's disability benefit ceases pursuant to applicable law and the member does not return to active service covered by the same system's CBP, he shall be entitled to one of the following options:

- (a) To receive his account balance which had been retained by the retirement system, less the amount of disability benefits received by the member.
  - (b) To take an annuity based on his account balance at the time he is no longer eligible for disability less the amount of disability benefits he received. Such annuity shall be payable upon application of the member, regardless of the age of the member at the time. Further provides that such annuity shall be paid as otherwise provided in present law for retirement annuities.
- (2) If the member's disability benefit ceases pursuant to applicable law because the member returns to active service, his account balance retained by the system shall be restored. The member's accumulation in the account shall resume and the time period in which he received a disability benefit shall not be counted towards his active service in the plan.

Proposed law provides that the Tier 1 disability benefits received pursuant to present law and proposed law shall be governed by the applicable Tier 1 plan.

#### REEMPLOYMENT & REFUND

Present law provides for reemployment of persons who either retired or withdrew from a CBP. Provides that upon reemployment in a position covered by the CBP, such person's accumulation in the cash balance plan shall begin again pursuant to present law. Proposed law retains present law and further provides that the member's accumulation in the CBP shall begin again with a new account. Such member shall be considered a "new" member for all purposes and shall not be allowed to reestablish service credit in the system by refunding his withdrawn contributions or lump-sum amount.

Proposed law provides that the reemployment of such member shall not affect the receipt of the lump sum or annuitized payments from the first cash balance account. Proposed law retains present law and further provides that the receipt of a lump-sum amount from the first CBP shall be subject to applicable federal law.

#### GUARANTEED RETURN OF EMPLOYEE CONTRIBUTIONS

Present law provides that in no case shall the system pay total benefits of an amount less than the employee's accumulated contributions, as provided in present law. Proposed law retains present law.

Present law provides that Tier 1 provisions shall apply to the CBP for any matter on which the CBP provisions are silent. In case of conflict between Tier 1 provisions and the CBP provisions, the CBP provisions control. Proposed law retains present law.

#### COLAS BASED ON TIER 1 SERVICE

Present law establishes experience accounts in the four state retirement systems as a mechanism for funding cost-of-living adjustments (COLAS) for persons with service credit in a Tier 1 plan. Proposed law makes technical changes to present law.

#### REVISED VALUATION & DOA STUDY

Proposed law requires the Public Retirement Systems' Actuarial Committee to meet within 60 days after receipt by the division of administration of a favorable ruling from the IRS on the Social Security equivalency of present law and proposed law. Requires PRSAC to adopt an actuarial valuation for each system for which the provisions of present law and proposed law apply for the fiscal year in which the Act becomes effective. Requires the valuation to be calculated in accordance with present law and proposed law, which includes calculation of employer contribution rates for the CBP employers in each system.

Proposed law further requires the division of administration to perform a cost-benefit analysis of providing an increased pay scale for employees required to be in the CBP.

#### EXPEDITED HEARING

Proposed law provides for an expedited hearing in the courts for any legal issues raised in relation to the present law and proposed law. Establishes venue in the 19<sup>th</sup> Judicial District Court. Requests a final disposition of legal issues at least 30 days prior to the prefiling deadline for the 2014 R.S.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 11:62(intro. para.), (4)(intro. para.), (4.1), (5)(intro. para.), (5.1), (11)(intro. para.), and (11.1), 102(B)(1) and (3)(a) and (d)(v), (vi), and (vii), (C)(1)(intro. para.) and (m), and (D)(1)(intro. para.), (d), and (e), 155, 542(A)(2)(a) and (C)(4)(d) and (e), 883.1(A)(2)(a) and (C)(4)(d) and (e), 1145.1, and R.S. 11:1399.1-1399.9; Adds R.S. 11:102(D)(1)(f))