

Regular Session, 2012

SENATE BILL NO. 44

BY SENATOR GUILLORY

RETIREMENT BENEFITS. Provides relative to authority to grant cost-of-living adjustments. (7/1/12)

1 AN ACT

2 To amend and reenact R.S. 11:242(E), relative to cost-of-living adjustments; to provide for
3 funding of such adjustments; to provide for restrictions; to provide for an effective
4 date; and to provide for related matters.

5 Notice of intention to introduce this Act has been published.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 11:242(E) is hereby amended and reenacted to read as follows:

8 §242. Cost-of-living adjustments; restrictions

9 * * *

10 E.(1) Notwithstanding any other provision of law to the contrary,
11 commencing at the end of the retirement system's 1985-1986 fiscal year, unless
12 thereafter specifically provided for by the legislature, any public retirement or
13 pension system, fund, or plan covered by this Section shall not provide a
14 cost-of-living increase during any fiscal year until the lapse of at least one-half of the
15 fiscal year, ~~and unless the actuary for the system and the legislative auditor certify~~
16 ~~that the funded ratio of the system, fund, or plan as of the end of the previous fiscal~~
17 ~~year equals or exceeds the target ratio as of that date for that system, fund, or plan.~~

1 If the legislative auditor disagrees with the determination of the system's actuary, the
2 matter shall be determined by majority vote of the Louisiana Public Retirement
3 Systems' Actuarial Committee. For purposes of this Subsection, the funded ratio and
4 target ratio are as defined below:

5 (1) The "funded ratio" as of any fiscal year end shall be the ratio of the
6 actuarial value of assets to the actuarial accrued liability under the funding method
7 prescribed by the office of the legislative auditor. The actuarial value of assets and
8 actuarial accrued liability for a system shall be those amounts reported to the office
9 of the legislative auditor in the Annual Report for Public Retirement Systems.

10 (2) The "target ratio" as of any fiscal year end shall be the lesser of (a) or (b)
11 below:

12 (a) One hundred percent.

13 (b) The sum of (i), (ii), (iii), and (iv) below:

14 (i) The funded ratio as of the 1986 fiscal year end.

15 (ii) The number of fiscal years elapsed since the 1986 fiscal year end
16 multiplied by one-thirtieth of the difference between one-hundred percent and the
17 funded ratio of the system as of the 1986 fiscal year end.

18 (iii) The amount of each change in funded ratio due to mergers or changes in
19 actuarial methods or assumptions occurring after the fiscal 1986 year end.

20 (iv) For each change in funded ratio due to mergers or changes in actuarial
21 methods or assumptions occurring after the 1986 fiscal year end, an amount of
22 opposite arithmetic sign from such change in funded ratio equal in absolute value to
23 the number of fiscal years since the change in funded ratio multiplied by one-thirtieth
24 of the original change in funded ratio due to the merger or change in actuarial
25 methods or assumptions.

26 **(2)(a) In addition, any system covered by this Section shall not grant a**
27 **cost-of-living increase during any fiscal year if at the close of the prior fiscal**
28 **year the ratio of the market value of assets to the specified accrued liability is**
29 **less than sixty-six and two-thirds percent.**

1 **(b) Any system covered by this Section shall not grant a cost-of-living**
 2 **increase during any fiscal year if at the close of the prior fiscal year the ratio of**
 3 **the market value of assets to the specified accrued liability is greater than or**
 4 **equal to sixty-six and two-thirds percent but less than seventy percent and a**
 5 **cost-of-living increase was granted in any of the prior three fiscal years.**

6 **(c) Any system covered by this Section shall not grant a cost-of-living**
 7 **increase during any fiscal year if at the close of the prior fiscal year the ratio of**
 8 **the market value of assets to the specified accrued liability is greater than or**
 9 **equal to seventy percent but less than eighty percent and a cost-of-living**
 10 **increase was granted in any of the prior two fiscal years.**

11 **(d) Any system covered by this Section shall not grant a cost-of-living**
 12 **increase during any fiscal year if at the close of the prior fiscal year the ratio of**
 13 **the market value of assets to the specified accrued liability is greater than or**
 14 **equal to eighty percent but less than ninety percent and a cost-of-living increase**
 15 **was granted in the prior fiscal year.**

16 **(3) The specified accrued liability for a given fiscal year shall be the**
 17 **entry age normal actuarial accrued liability based on the actuarial assumptions**
 18 **utilized for the valuation immediately prior to the valuation for the given fiscal**
 19 **year end.**

20 **(4) The provisions of this Section shall not apply to any cost-of-living**
 21 **increase funded from a credit balance in the system's Funding Deposit Account.**

22 Section 2. This Act shall become effective on July 1, 2012; if vetoed by the governor
 23 and subsequently approved by the legislature, this Act shall become effective on July 1,
 24 2012, or on the day following such approval by the legislature, whichever is later.

The original instrument and the following digest, which constitutes no part
 of the legislative instrument, were prepared by Laura Gail Sullivan.

DIGEST

Present law provides for cost-of-living adjustments (COLA) for the following retirement systems:

- (1) The Assessors' Retirement Fund.

- (2) The Clerks' of Court Retirement and Relief Fund.
- (3) The District Attorneys' Retirement System.
- (4) The Municipal Employees' Retirement System of Louisiana.
- (5) The Parochial Employees' Retirement System of Louisiana.
- (6) The Registrars of Voters Employees' Retirement System.
- (7) The Sheriffs' Pension and Relief Fund.
- (8) The Municipal Police Employees' Retirement System.
- (9) The Firefighters' Retirement System.

Proposed law retains present law.

Present law provides funding requirements on a moving scale to be met in order for the board of trustees of a system to which present law applies to have the authority to grant a COLA.

Proposed law provides for a set schedule of funding levels to be met in order for the board of trustees of a system to which present law applies to have the authority to grant a COLA.

Proposed law provides that the schedule of funding levels shall not apply to any COLA funded from a credit balance in the system's Funding Deposit Account.

Effective July 1, 2012.

(Amends R.S. 11:241(E))