2021 Regular Session

HOUSE BILL NO. 35

BY REPRESENTATIVE CHARLES OWEN

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

RETIREMENT/MUNICIPAL POL: Provides for cost-of-living adjustments for members of the Municipal Police Employees' Retirement System and authorizes the board of trustees of the system to modify required employer contributions

AN ACT

To amend and reenact R.S. 11:107.1(D)(4)(c) and 107.2 (B), to enact R.S. 11:107.1(A)(7) and 2225.5, and to repeal R.S. 11:107.2(A), (C) and (D) and 2225(A)(7), relative to the Municipal Police Employees' Retirement System; to provide for establishment of a funding deposit account; to provide relative to the authority of the board of trustees to modify employer contribution rates in certain circumstances; to provide for cost-of-living adjustments; to provide for an effective date; 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. 11:107.1(D)(4)(c) and 107.2(B) are hereby amended and reenacted and R.S. 11:107.1(A)(7) and 2225.5 are hereby enacted to read as follows:

§107.1. Funding deposit account

A. The provisions of this Section shall apply to the following statewide public retirement systems or funds, hereinafter referred to in this Section as "systems":

* * *

CODING: Words in ~~struck through~~ type are deletions from existing law; words underscored are additions.

(7) Municipal Police Employees' Retirement System.

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D. Notwithstanding any provisions of law to the contrary, the board of trustees of each system may in any fiscal year direct that funds from the account be charged for the following purposes:

* * *

(4)

* * *

(c) Notwithstanding any provision of law to the contrary, neither the Firefighters' Retirement System nor the Municipal Police Employees' Retirement System shall ~~not~~ provide for cost-of-living increases with funds charged from the account.

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§107.2. Employer contributions; ~~maintaining rates;~~ reducing rate decreases; Municipal Police Employees' Retirement System

B. Notwithstanding the provisions of R.S. 11:103 and 104, in any fiscal year during which the recommended net direct employer contribution rate would otherwise be decreased for the system, the board of trustees ~~is hereby authorized to either:~~ of the Municipal Police Employees' Retirement System may reduce such decrease by not more than one-half of the total decrease that would otherwise occur.

~~(1) Maintain the previous fiscal year's net direct employer contribution rate at the time that the decrease would otherwise occur according to R.S. 11:103.~~

~~(2) Set the employer contribution rate at any point between the previous year's net direct employer contribution rate and the recommended net direct employer contribution rate that would otherwise occur pursuant to R.S. 11:103.~~

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§2225.5. Cost-of-living adjustment prefunding account

A.(1) There is hereby established a cost-of-living adjustment prefunding account. Such account shall be credited and charged solely as provided in this Section.

(2) The balance in the account shall be set equal to zero as of July 1, 2021.

(3)(a) Notwithstanding the provisions of R.S. 11:103 and 104, for fiscal years beginning on or after July 1, 2022, the board of trustees may require a net direct contribution rate of up to eighty-five hundredths of one percent more than the rate determined under R.S. 103 or 107.2.

(b) For any fiscal year in which the board of trustees, pursuant to the provisions of Subparagraph (a) of this Paragraph, sets the direct employer contribution rate higher than the rate determined under R.S. 11:103 or 107.2, an amount equal to the percent by which the actual board authorized rate exceeds the rate determined under R.S. 11:103 or 107.2, multiplied by the total actual payroll for the fiscal year shall be transferred to the account.

B. The funds in the account shall earn interest annually at the board approved valuation interest rate, and the interest shall be credited to the account at least once a year.

C. Beginning with the June 30, 2023, valuation, the board of trustees may, in any fiscal year, direct that funds from the account be charged to provide a cost-of-living adjustment as provided in Subsection E of this Section.

D. The balance of the cost-of-living adjustment prefunding account shall not be considered a systems asset when calculating employer contributions.

E.(1) Notwithstanding the provisions of R.S. 11:241 and 246, the board of trustees may only provide cost-of-living adjustments to all retirees and beneficiaries who are sixty-seven years of age or over, in an amount not to exceed two percent of the lesser of the benefit that was originally paid to the beneficiary or the average monthly benefit in payment to service retirees as of the end of the preceding fiscal year. Except as provided in Paragraph (2) of this Subsection, all cost-of-living adjustments may be provided only from the cost-of-living adjustment prefunding account when sufficient funds are available.

(2) The board of trustees may provide a cost-of-living adjustment funded with excess interest earnings only if all of the following conditions are met:

(a) No previous cost-of-living adjustment has been provided since June 30, 2021.

(b) The requirements of R.S. 11:243(D) and (G) are met.

(c) The board of trustees has received a rate of return in excess of the valuation interest rate based on the actuarial value of assets for the current fiscal year and has sufficient investment income in excess of that determined by the application of the valuation interest rate to the actuarial value of assets to pay for the cost-of-living adjustment.

Section 2. R.S. 11:107.2(A),(C), and (D) and 2225(A)(7) are hereby repealed in their entirety.

Section 3. The cost of this Act, if any, shall be funded with additional employer contributions in compliance with Article X, Section 29(F) of the Constitution of Louisiana.

Section 4. This Act shall become effective on July 1, 2021; if vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on July 1, 2021, 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 35 Original 2021 Regular Session Charles Owen

Abstract: Provides relative to employer contributions and cost-of-living adjustments for the Municipal Police Employees' Retirement System(MPERS).

Present law authorizes certain statewide retirement systems, including MPERS, to hold employer contribution rates above the minimum that is actuarially required in certain circumstances. Generally, in a year in which the required contribution rate would otherwise decrease, the systems are authorized to set the contribution rate anywhere between the new lower rate and the previous year's higher rate.

Proposed law retains present law, except that for MPERS, the maximum contribution rate is the midpoint between the new lower rate and the previous year's higher rate.

Present law, applicable to MPERS, prohibits such a rate increase if it caused the contribution rate to exceed 15%. Proposed law repeals this prohibition.

Present law, which is not applicable to MPERS, establishes a funding deposit account in most of the statewide systems that have the authority to require additional employer contributions. Funds collected pursuant to present law in excess of the actuarially required employer contributions are credited to this account and may be used by the board of trustees of the system for the following specific purposes:

(1) To reduce system unfunded accrued liabilities.

(2) To reduce future employer contributions.

(3) To pay cost-of-living adjustments.

Present law, applicable only to MPERS, requires that funds collected in excess of actuarially required employer contributions be applied to one of the following:

(1) Reducing system initial unfunded accrued liabilities.

(2) Reducing certain outstanding amortization charges.

Proposed law repeals present law that is applicable only to MPERS. Proposed law makes present law applicable to other systems applicable to MPERS except that MPERS is not authorized to use funds in the funding deposit account to pay cost-of-living adjustments.

Present law authorizes the MPERS board of trustees to use interest earnings in excess of normal requirements to provide a cost-of-living increase for retired members, survivors, and beneficiaries in an amount not to exceed 3% of the original benefit or not to exceed 3% of the benefit being received at the time

Proposed law repeals present law and provides instead that the board of trustees may set the employer contribution rate .85% higher than the amount otherwise required by present law and authorized by proposed law. Provides that the proceeds of such additional contributions shall be deposited into a cost-of-living adjustment prefunding account and that increases may be paid when there are sufficient funds in the account.

Proposed law does however authorize payment of one cost-of-living increase from excess interest earnings if no such increase has been funded from the cost-of-living adjustment prefunding account and the system meets funded ratio targets established by present law.

Proposed law provides that cost-of-living increases are paid only to retirees and beneficiaries who are 67 years of age or over in an amount not to exceed 2% of the lesser of the benefit that was originally paid to the beneficiary or the average monthly benefit in payment to service retirees as of the end of the preceding fiscal year.

(Amends R.S. 11:107.1(D)(4)(c) and 107.2(B); Adds R.S. 11:107.1(A)(7) and 2225.5; Repeals R.S. 11:107.2(A),(C), and (D) and 2225(A)(7))