

2018 Regular Session

HOUSE BILL NO. 22

BY REPRESENTATIVE IVEY

RETIREMENT/STATE SYSTEMS: Sets minimum employer contributions and provides for funding deposit accounts for each state retirement system

1 AN ACT

2 To enact R.S. 11:102.7, relative to employer contributions to state public retirement  
3 systems; to establish minimum contributions applicable under certain circumstances;  
4 to provide for use of funds when such minimum exceeds otherwise required  
5 contributions; to provide for funding deposit accounts; and to provide for related  
6 matters.

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

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 11:102.7 is hereby enacted to read as follows:

12 §102.7. Minimum employer contribution; funding deposit accounts

13 A.(1) The provisions of this Section are applicable to the state public  
14 retirement systems whose benefits are guaranteed by Article X, Section 29(A) and  
15 (B) of the Constitution of Louisiana.

16 (2) The provisions of this Section shall be applied in conjunction with R.S.  
17 11:102(B)(5) if both are applicable.

18 B. For purposes of this Section:

19 (1) "Excess employer contributions" refers to the contributions required by  
20 this Section in excess of the contributions required by R.S. 11:102.

1           (2) "Funded ratio" means, as of any fiscal year end, the ratio of the actuarial  
2           value of assets to the actuarial accrued liability under the funding method prescribed  
3           by R.S. 11:22. The actuarial value of assets and actuarial accrued liability for a  
4           system shall be those amounts established in the system valuation adopted by the  
5           Public Retirement Systems' Actuarial Committee.

6           C. The employer contribution rate shall not be set below twenty percent of  
7           the total projected payroll for all active members if either of the following conditions  
8           applies to a retirement system in a given year as determined in the system's most  
9           recent valuation:

10           (1) The funded ratio of the system is not and has never been one hundred  
11           percent.

12           (2) The funded ratio of the system, after July 1, 2018, has been one hundred  
13           percent but has fallen below ninety percent.

14           D.(1) If the funded ratio of a system is equal to or less than eighty percent,  
15           excess employer contributions shall be applied to the oldest outstanding liability of  
16           the system in accordance with this Subpart.

17           (2) If the funded ratio of a system is above eighty percent, fifty percent of  
18           excess employer contributions shall be applied to the oldest outstanding liability of  
19           the system in accordance with this Subpart and the remainder shall be deposited into  
20           the system's funding deposit account.

21           (3)(a) For the purposes of this Subsection, the phrase "oldest outstanding  
22           liability" shall mean the system's oldest outstanding positive amortization base,  
23           excluding any liability established pursuant to R.S. 11:102(B)(3)(c) or any  
24           particularized liabilities of a subplan.

25           (b) If there are multiple positive bases of the same age and the same  
26           duration, all such bases shall be collapsed into a single base for purposes of this  
27           Subsection.

28           (c) If there are multiple positive bases of the same age but of different  
29           durations, the oldest outstanding positive amortization base with the shortest

1 remaining amortization period shall be treated as the "oldest" for purposes of this  
2 Subsection.

3 E. There is hereby established a funding deposit account for each system to  
4 which this Section applies which shall be maintained as follows:

5 (1) The funds in the funding deposit account shall earn interest annually at  
6 the board-approved actuarial valuation interest rate, and such interest shall be  
7 credited to the account at least once a year.

8 (2) In any fiscal year, the board of trustees of the respective system may  
9 direct that funds from the account be charged for the following purposes:

10 (a) To reduce the unfunded accrued liability as prescribed in this Subpart.

11 (b) To pay all or a portion of future net direct employer contributions.

12 (3) The funds charged from the account shall not exceed the outstanding  
13 account balance.

14 (4) If the board of trustees of a system elects to charge funds from the  
15 funding deposit account pursuant to Subparagraph (2)(b) of this Subsection, the  
16 percent reduction in the minimum recommended employer contribution rate  
17 otherwise applicable shall be determined by dividing the interest-adjusted value of  
18 the charges from the funding deposit account by the projected payroll for the fiscal  
19 year for which the contribution rate is to be reduced.

20 (5) For funding purposes, any asset value utilized in the calculation of the  
21 actuarial value of assets of a system shall exclude the funding deposit account  
22 balance as of the asset determination date for such calculation.

23 (6) For all purposes other than funding, the funds in the account shall be  
24 considered assets of the system.

25 Section 2. This Act shall become effective on July 1, 2018; if vetoed by the governor  
26 and subsequently approved by the legislature, this Act shall become effective on July 1,  
27 2018, or on the day following such approval by the legislature, whichever is later.

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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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HB 22 Original

2018 Regular Session

Ivey

**Abstract:** For state retirement systems meeting certain funded ratio criteria, sets a minimum employer contribution rate of 20% and provides for use of funds from such additional contributions.

Proposed law provides that the minimum employer contribution for a state retirement system is 20% if the system is not and has never been 100% funded or if the system has been 100% funded but the funded ratio has fallen below 90%.

Proposed law requires use of excess contributions, those required by proposed law in excess of those required by present law, as follows:

- (1) If the funded ratio of a system is equal to or less than 80%, excess contributions are applied to the oldest outstanding liabilities of the system, as defined in proposed law.
- (2) Otherwise, 50% of excess employer contributions shall be applied as provided in (1) above and the remainder shall be deposited into the system's funding deposit account.

Proposed law creates a funding deposit account for each state retirement system and provides with respect to such accounts as follows:

- (1) Funds shall earn interest annually at the board-approved actuarial valuation interest rate, and such interest shall be credited to the account at least once a year.
- (2) Authorizes charging the account for the following purposes:
  - (a) To reduce the unfunded accrued liability.
  - (b) To pay all or a portion of future net direct employer contributions. Provides for determining the amount of the reduction.
- (3) Prohibits charging the account in excess of outstanding account balance.
- (4) For funding purposes, asset value utilized in the calculation of the actuarial value of assets of a system shall exclude the funding deposit account balance as of the asset determination date for such calculation. For other purposes, the funds in the account shall be considered assets of the system.

Effective July 1, 2018.

(Adds R.S. 11:102.7)