

Regular Session, 2014

HOUSE BILL NO. 1225

BY REPRESENTATIVE ROBIDEAUX AND SENATOR GUILLORY

RETIREMENT/STATE SYSTEMS: Provides relative to payment of system liabilities and limits creation of additional liabilities

1 AN ACT

2 To amend and reenact R.S. 11:102(B)(3)(d)(v) through (viii), 102.1(B)(3)(b), (4), and (5)
3 and (C)(4) and (5), 102.2(B)(3)(b) and (4) and (C)(4) and (5), 542(A)(2) and (3),
4 (C)(1) through (3), and (F)(1), 883.1(A)(2) and (3), (C)(1) through (3), (F), and
5 (G)(1), 1145.1(A), (C)(1) through (3), and (D), and 1332(A), (C)(1) through (3), (D),
6 and (F) and to enact R.S. 11:102.1(B)(6) and (C)(6), 102.2(B)(5) and (C)(6), 542(G),
7 883.1(H), 1145.1(F), and 1332(G), relative to the liabilities of the state retirement
8 systems; to provide for payment of such liabilities; to limit creation of certain
9 additional liabilities through benefit increases; to provide relative to authorization
10 of such benefit increases; to provide for an effective date; and to provide for related
11 matters.

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

15 Be it enacted by the Legislature of Louisiana:

16 Section 1. R.S. 11:102(B)(3)(d)(v) through (viii), 102.1(B)(3)(b), (4), and (5) and
17 (C)(4) and (5), 102.2(B)(3)(b) and (4) and (C)(4) and (5), 542(A)(2) and (3), (C)(1) through
18 (3), and (F)(1), 883.1(A)(2) and (3), (C)(1) through (3), (F), and (G)(1), 1145.1(A), (C)(1)
19 through (3), and (D), and 1332(A), (C)(1) through (3), (D), and (F) are hereby amended and

1 reenacted and R.S. 11:102.1(B)(6) and (C)(6), 102.2(B)(5) and (C)(6), 542(G), 883.1(H),
2 1145.1(F), and 1332(G) are hereby enacted to read as follows:

3 §102. Employer contributions; determination; state systems

4 * * *

5 B.

6 * * *

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

10 * * *

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

14 * * *

15 (v)(aa) Effective July 1, 2004, and beginning with Fiscal Year 1998-1999,
16 the amortization period for the changes, gains, or losses of the Louisiana State
17 Employees' Retirement System provided in Items (i) through (iv) of this
18 Subparagraph shall be thirty years, or in accordance with standards promulgated by
19 the Governmental Accounting Standards Board, from the year in which the change,
20 gain, or loss occurred. The outstanding balances of amortization bases established
21 pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year
22 1998-1999, shall be amortized as a level dollar amount from July 1, 2004, through
23 June 30, 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year
24 thereafter, the outstanding balances of amortization bases established pursuant to
25 Items (i) through (iv) of this Subparagraph shall be amortized as a level dollar
26 amount. For the Louisiana State Employees' Retirement System, effective for the
27 June 30, 2010, system valuation and beginning with Fiscal Year 2011-2012,
28 amortization payments for changes in actuarial liability shall be determined in
29 accordance with Subsection C of this Section.

1 (bb)(I) Effective for the June thirtieth valuation for the fiscal year
2 immediately following the year in which the system fully liquidates an amortization
3 base established in R.S. 11:102.1 and for each valuation thereafter, after any
4 remaining payment required pursuant to R.S. 11:102.1, the system shall apply to the
5 oldest outstanding positive amortization base of the system, without reamortization
6 of such base, the system's remaining excess investment experience returns. For the
7 first valuation to which this Subsubitem applies the amount of excess returns to be
8 applied pursuant to the provisions of this Subsubitem shall be the excess returns up
9 to the amount of excess investment experience returns as equals that year's remaining
10 payment pursuant to R.S. 11:102.1. Upon complete liquidation of such amortization
11 base, any remaining funds shall be applied to the next oldest outstanding positive
12 amortization base, without reamortization of any such base, until no further funds
13 remain or all such bases are completely liquidated. Notwithstanding any provision
14 of this Subitem to the contrary, the maximum amount of excess returns to be applied
15 in any subsequent year pursuant to this Subsubitem shall equal the prior year's
16 maximum amount increased by the percentage increase in the system's actuarial
17 value of assets for the preceding year, if any. For the purposes of this Subsubitem,
18 the oldest outstanding positive amortization base shall first mean the Original
19 Amortization Base until it is completely liquidated, then the Experience Account
20 Amortization Base until it is completely liquidated, and then the oldest outstanding
21 debt of the system excluding any amortization base established to amortize a
22 particularized liability established pursuant to Subsection C of this Section or a
23 liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection.
24 (II) Effective for the June thirtieth valuation for the fiscal year immediately
25 following the year in which the system fully liquidates the last remaining
26 amortization base established in R.S. 11:102.1 and for each valuation thereafter, if
27 the system's investment experience for the fiscal year exceeds the system's actuarial
28 assumed rate of return, the system shall apply to the oldest outstanding positive
29 amortization base of the system, excluding any amortization base established to

1 amortize a particularized liability established pursuant to Subsection C of this
2 Section or a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this
3 Subsection, and without reamortization of such base, the system's excess investment
4 experience returns. For the first valuation to which this Subsubitem applies, the
5 amount of excess returns to be applied pursuant to the provisions of this Subsubitem
6 shall be the excess returns up to the amount of excess investment experience returns
7 as equals double the last payment made pursuant to Subsubitem (I) of this Subitem.
8 Upon complete liquidation of such amortization base, any remaining funds shall be
9 applied to the next oldest outstanding positive amortization base, without
10 reamortization of any such base, until no further funds remain or all such bases are
11 completely liquidated. Notwithstanding any provision of this Subitem to the
12 contrary, the maximum amount of excess returns to be applied in any subsequent
13 year pursuant to this Subsubitem shall equal the prior year's maximum amount
14 increased by the percentage increase in the system's actuarial value of assets for the
15 preceding year, if any.

16 (cc) Effective for the June thirtieth valuation for the fiscal year immediately
17 following the year in which the system fully liquidates the last outstanding
18 amortization base established in R.S. 11:102.1 and for each valuation thereafter, the
19 system shall apply to the oldest outstanding positive amortization base of the system,
20 excluding any amortization base established to amortize a particularized liability
21 established pursuant to Subsection C of this Section or a liability established
22 pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection, and without
23 reamortization of such base, any amounts that are not credited to the experience
24 account due to the limits contained in R.S. 11:542(A). Upon complete liquidation
25 of such amortization base, any remaining funds shall be applied to the next oldest
26 such outstanding positive amortization base, without reamortization of any such
27 base, until no further funds remain or all such bases are completely liquidated.

1 (dd) Effective for the June 30, 2014, system valuation and for each valuation
2 thereafter, actuarial gains allocated to the experience account shall be amortized as
3 a loss with level payments over a ten-year period.

4 (vi)(aa) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001,
5 the amortization period for the changes, gains, or losses of the Louisiana School
6 Employees' Retirement System provided in Items (i) through (iv) of this
7 Subparagraph shall be thirty years, or in accordance with standards promulgated by
8 the Governmental Accounting Standards Board, from the year in which the change,
9 gain, or loss occurred. The outstanding balances of amortization bases established
10 pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year 2000-
11 2001, shall be amortized as a level dollar amount from July 1, 2004, through June 30,
12 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the
13 outstanding balances of amortization bases established pursuant to Items (i) through
14 (iv) of this Subparagraph shall be amortized as a level dollar amount.

15 (bb) Effective for the June 30, 2014, valuation and for each valuation
16 thereafter, if the system's investment experience for the fiscal year exceeds the
17 system's actuarial assumed rate of return, the system shall apply the excess
18 investment experience returns, up to the first fifteen million dollars for the June 30,
19 2014, valuation, to the oldest outstanding positive amortization base of the system,
20 excluding any amortization base established to amortize a liability established
21 pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection, and without
22 reamortization of such base. Upon complete liquidation of such amortization base,
23 any remaining funds shall be applied to the next oldest outstanding positive
24 amortization base, without reamortization of any such base, until no further funds
25 remain or all such bases are completely liquidated. Notwithstanding any provision
26 of this Subitem to the contrary, the maximum amount of excess returns to be applied
27 in any subsequent year pursuant to this Subitem shall equal the prior year's maximum
28 amount increased by the percentage increase in the system's actuarial value of assets
29 for the preceding year, if any.

1 (cc) Effective for the June 30, 2014, valuation and for each valuation
2 thereafter, any amounts that are not credited to the experience account due to the
3 limits contained in R.S. 11:1145.1(A) shall be applied to the oldest outstanding
4 positive amortization base of the system, excluding any amortization base
5 established to amortize a liability established pursuant to Subparagraphs (2)(a) and
6 (3)(c) of this Subsection, and without reamortization of such base. Upon complete
7 liquidation of such amortization base, any remaining funds shall be applied to the
8 next oldest outstanding positive amortization base, without reamortization of any
9 such base, until no further funds remain or all such bases are completely liquidated.

10 (dd) Effective for the June 30, 2014, system valuation and for each valuation
11 thereafter, actuarial gains allocated to the experience account shall be amortized as
12 a loss with level payments over a ten-year period.

13 (vii)(aa) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001,
14 the amortization period for the changes, gains, or losses of the Teachers' Retirement
15 System of Louisiana provided in Items (i) through (iv) of this Subparagraph shall be
16 thirty years, or in accordance with standards promulgated by the Governmental
17 Accounting Standards Board, from the year in which the change, gain, or loss
18 occurred. The outstanding balances of amortization bases established pursuant to
19 Items (i) through (iv) of this Subparagraph before Fiscal Year 2000-2001, shall be
20 amortized as a level dollar amount from July 1, 2004, through June 30, 2029.
21 Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the
22 outstanding balances of amortization bases established pursuant to Items (i) through
23 (iv) of this Subparagraph shall be amortized as a level dollar amount. For the
24 Teachers' Retirement System of Louisiana, effective for the June 30, 2011, system
25 valuation and beginning with Fiscal Year 2012-2013, amortization payments for
26 changes in actuarial liability shall be determined in accordance with Subsection D
27 of this Section.

28 (bb)(I) Effective for the June thirtieth valuation for the fiscal year
29 immediately following the year in which the system fully liquidates an amortization

1 base established in R.S. 11:102.2 and for each valuation thereafter, after any
2 remaining payment required pursuant to R.S. 11:102.2, the system shall apply to the
3 oldest outstanding positive amortization base of the system, without reamortization
4 of such base, the system's remaining excess investment experience returns. For the
5 first valuation to which this Subsubitem applies the amount of excess returns to be
6 applied pursuant to the provisions of this Subsubitem shall be the excess returns up
7 to the amount of excess investment experience returns as equals that year's remaining
8 payment pursuant to R.S. 11:102.2. Upon complete liquidation of such amortization
9 base, any remaining funds shall be applied to the next oldest outstanding positive
10 amortization base, without reamortization of any such base, until no further funds
11 remain or all such bases are completely liquidated. Notwithstanding any provision
12 of this Subitem to the contrary, the maximum amount of excess returns to be applied
13 in any subsequent year pursuant to this Subsubitem shall equal the prior year's
14 maximum amount increased by the percentage increase in the system's actuarial
15 value of assets for the preceding year, if any. For the purposes of this Subitem, the
16 oldest outstanding positive amortization base shall first mean the Original
17 Amortization Base until it is completely liquidated, then the Experience Account
18 Amortization Base until it is completely liquidated, and then the oldest outstanding
19 debt of the system excluding any amortization base established to amortize a
20 particularized liability established pursuant to Subsection D of this Section or a
21 liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection.

22 (II) Effective for the June thirtieth valuation for the fiscal year immediately
23 following the year in which the system fully liquidates the last remaining
24 amortization base established in R.S. 11:102.2 and for each valuation thereafter, if
25 the system's investment experience for the fiscal year exceeds the system's actuarial
26 assumed rate of return, the system shall apply to the oldest outstanding positive
27 amortization base of the system, excluding any amortization base established to
28 amortize a particularized liability established pursuant to Subsection D of this
29 Section or a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this

1 Subsection, and without reamortization of such base, the system's excess investment
2 experience returns. For the first valuation to which this Subsubitem applies, the
3 amount of excess returns to be applied pursuant to the provisions of this Subsubitem
4 shall be the excess returns up to the amount of excess investment experience returns
5 as equals double the last payment made pursuant to Subsubitem (I) of this Subitem.
6 Upon complete liquidation of such amortization base, any remaining funds shall be
7 applied to the next oldest outstanding positive amortization base, without
8 reamortization of any such base, until no further funds remain or all such bases are
9 completely liquidated. Notwithstanding any provision of this Subitem to the
10 contrary, the maximum amount of excess returns to be applied in any subsequent
11 year pursuant to this Subsubitem shall equal the prior year's maximum amount
12 increased by the percentage increase in the system's actuarial value of assets for the
13 preceding year, if any.

14 (cc) Effective for the June thirtieth valuation for the fiscal year immediately
15 following the year in which the system fully liquidates the last outstanding
16 amortization base established in R.S. 11:102.2 and for each valuation thereafter, the
17 system shall apply to the oldest outstanding positive amortization base of the system,
18 excluding any amortization base established to amortize a particularized liability
19 established pursuant to Subsection D of this Section or a liability established
20 pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection, and without
21 reamortization of such base, any amounts that are not credited to the experience
22 account due to the limits contained in R.S. 11:883.1(A). Upon complete liquidation
23 of such amortization base, any remaining funds shall be applied to the next oldest
24 such outstanding positive amortization base, without reamortization of any such
25 base, until no further funds remain or all such bases are completely liquidated.

26 (dd) Effective for the June 30, 2014, system valuation and for each valuation
27 thereafter, actuarial gains allocated to the experience account shall be amortized as
28 a loss with level payments over a ten-year period.

1 (viii)(aa) Effective July 1, 2009, and beginning with Fiscal Year 1992-1993,
2 the amortization period for the changes, gains, or losses of the Louisiana State Police
3 Retirement System provided in Items (i) through (iv) of this Subparagraph shall be
4 thirty years, or in accordance with standards promulgated by the Governmental
5 Accounting Standards Board, from the year in which the change, gain, or loss
6 occurred. The outstanding balances of amortization bases established pursuant to
7 Items (i) through (iv) of this Subparagraph before Fiscal Year 2008-2009, shall be
8 amortized as a level dollar amount from July 1, 2009, through June 30, 2029.
9 Beginning with Fiscal Year 2008-2009, and for each fiscal year thereafter, the
10 outstanding balances of amortization bases established pursuant to Items (i) through
11 (iv) of this Subparagraph shall be amortized as a level dollar amount.

12 (bb) Effective for the June 30, 2014, valuation and for each valuation
13 thereafter, if the system's investment experience for the fiscal year exceeds the
14 system's actuarial assumed rate of return, the system shall apply the excess
15 investment experience returns, up to the first five million dollars for the June 30,
16 2014, valuation, to the oldest outstanding positive amortization base of the system,
17 excluding any amortization base established to amortize a liability established
18 pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection, and without
19 reamortization of such base. Upon complete liquidation of such amortization base,
20 any remaining funds shall be applied to the next oldest outstanding positive
21 amortization base, without reamortization of any such base, until no further funds
22 remain or all such bases are completely liquidated. Notwithstanding any provision
23 of this Subitem to the contrary, the maximum amount of excess returns to be applied
24 in any subsequent year pursuant to this Subsubitem shall equal the prior year's
25 maximum amount increased by the percentage increase in the system's actuarial
26 value of assets for the preceding year, if any.

27 (cc) Effective for the June 30, 2014, valuation and for each valuation
28 thereafter, any amounts that are not credited to the experience account due to the
29 limits contained in R.S. 11:1332(A) shall be applied to the oldest outstanding

1 positive amortization base of the system, excluding any amortization base
2 established to amortize a liability established pursuant to Subparagraphs (2)(a) and
3 (3)(c) of this Subsection, and without reamortization of such base. Upon complete
4 liquidation of such amortization base, any remaining funds shall be applied to the
5 next oldest outstanding positive amortization base, without reamortization of any
6 such base, until no further funds remain or all such bases are completely liquidated.

7 (dd) Effective for the June 30, 2014, system valuation and for each valuation
8 thereafter, actuarial gains allocated to the experience account shall be amortized as
9 a loss with level payments over a ten-year period.

10 * * *

11 §102.1. Consolidation of amortization payment schedules; Louisiana State
12 Employees' Retirement System

13 * * *

14 B. Original amortization base.

15 * * *

16 (3)

17 * * *

18 (b) The first payment after this consolidation shall be made in Fiscal Year
19 2010-2011 and the final payment ~~in~~ shall be made no later than Fiscal Year 2028-
20 2029.

21 (4)(a) In any year in which the system exceeds its actuarially-assumed rate
22 of return, the ~~first fifty million dollars of~~ excess returns, up to the first fifty million
23 for the June 30, 2014, valuation, shall be applied to the remaining balance of the
24 original amortization base established in this Subsection. The maximum amount of
25 excess returns to be applied in any subsequent year pursuant to the provisions of this
26 Subparagraph shall equal the prior year's maximum amount increased by the
27 percentage increase in the system's actuarial value of assets for the preceding year,
28 if any.

1 (b) After such application, the net remaining liability shall be reamortized
 2 over the remaining amortization period with annual payments calculated as provided
 3 in this Subsection or as otherwise provided by law. Notwithstanding any provision
 4 of this Subparagraph to the contrary, beginning with the June 30, 2014, valuation and
 5 continuing with each valuation thereafter, the net remaining liability shall not be
 6 reamortized after application of the funds applied pursuant to the provisions of
 7 Subparagraph (a) of this Paragraph.

8 (5) Notwithstanding the provisions of R.S. 11:102(B)(3)(c) and (5) or any
 9 other provision of law to the contrary, in any year through Fiscal Year 2016-2017 in
 10 which the system receives an overpayment of employer contributions as determined
 11 pursuant to R.S. 11:102(B)(2) and in any year through Fiscal Year 2016-2017 in
 12 which the system receives additional contributions pursuant to R.S. 11:102(B)(5),
 13 the amount of such overpayment or additional contribution shall be applied to the
 14 remaining balance of the original amortization base established pursuant to this
 15 Subsection. After such application, the net remaining liability shall be reamortized
 16 over the remaining amortization period with annual payments calculated as provided
 17 in this Subsection or as otherwise provided by law. Notwithstanding any provision
 18 of this Paragraph to the contrary, beginning with the June 30, 2014, valuation and
 19 continuing with each valuation thereafter, the net remaining liability shall not be
 20 reamortized after application of the funds applied pursuant to the provisions of this
 21 Paragraph.

22 (6) Effective for the June 30, 2014, valuation and for each valuation
 23 thereafter until the base established pursuant to the provisions of this Subsection is
 24 completely liquidated, to such base shall be applied any amounts that are not credited
 25 to the experience account due to the limits contained in R.S. 11:542(A), without
 26 reamortization of such base.

27 C. Experience account amortization base.

28 * * *

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

1 (4)(a) In any year in which the excess returns of the system exceed the
2 amount ~~in Paragraph~~ applied to the Original Amortization Base pursuant to
3 Subparagraph (B)(4)(a) of this Section, the remaining excess returns, up to the next
4 fifty million dollars for the June 30, 2014, valuation, of excess returns shall be
5 applied to the experience account amortization base established in this Subsection.
6 The maximum amount of excess returns to be applied in any subsequent year
7 pursuant to the provisions of this Subparagraph shall equal the prior year's maximum
8 amount increased by the percentage increase in the system's actuarial value of assets
9 for the preceding year, if any.

10 (b) After such application, the net remaining liability shall be reamortized
11 over the remaining amortization period with annual payments calculated as provided
12 in this Subsection or as otherwise provided by law. Notwithstanding any provision
13 of this Subparagraph to the contrary, beginning with the June 30, 2014, valuation and
14 continuing with each valuation thereafter, the net remaining liability shall not be
15 reamortized after application of the funds applied pursuant to the provisions of
16 Subparagraph (a) of this Paragraph.

17 (5) Notwithstanding the provisions of R.S. 11:102(B)(3)(c) and (5) or any
18 other provision of law to the contrary, in any year from Fiscal Year 2017-2018
19 through Fiscal Year 2039-2040 in which the system receives an overpayment of
20 employer contributions as determined pursuant to R.S. 11:102(B)(2) and in any year
21 from Fiscal Year 2017-2018 through Fiscal Year 2039-2040 in which the system
22 receives additional contributions pursuant to R.S. 11:102(B)(5), the amount of such
23 overpayment or additional contribution shall be applied to the remaining balance of
24 the experience account amortization base established pursuant to this Subsection.
25 After such application, the net remaining liability shall be reamortized over the
26 remaining amortization period with annual payments calculated as provided in this
27 Subsection or as otherwise provided by law. Notwithstanding any provision of this
28 Paragraph to the contrary, beginning with the June 30, 2014, valuation and
29 continuing with each valuation thereafter, the net remaining liability shall not be

1 reamortized after application of the funds applied pursuant to the provisions of this
2 Paragraph.

3 (6) Effective for the valuation for the year in which the amortization base
4 established pursuant to Subsection B of this Section is completely liquidated and for
5 each valuation thereafter, to the Experience Account Amortization Base shall be
6 applied any amounts that are not credited to the experience account due to the limits
7 contained in R.S. 11:542(A), without reamortization of such base.

8 §102.2. Consolidation of amortization payment schedules; Teachers' Retirement
9 System of Louisiana

10 * * *

11 B. Original amortization base.

12 * * *

13 (3)

14 * * *

15 (b) The first payment shall be made in Fiscal Year 2010-2011 and the final
16 payment ~~in~~ shall be made no later than Fiscal Year 2028-2029.

17 (4)(a) In any year in which the system exceeds its actuarially-assumed rate
18 of return, the ~~first one hundred million dollars of~~ excess returns, up to the first one
19 hundred million dollars for the June 30, 2014, valuation, shall be applied to the
20 remaining balance of the original amortization base established in this Subsection.
21 The maximum amount of excess returns to be applied in any subsequent year
22 pursuant to the provisions of this Subparagraph shall equal the prior year's maximum
23 amount increased by the percentage increase in the system's actuarial value of assets
24 for the preceding year, if any.

25 (b) After such application, the net remaining liability shall be reamortized
26 over the remaining amortization period with annual payments as provided in this
27 Subsection or as otherwise provided by law. Notwithstanding any provision of this
28 Subparagraph to the contrary, beginning with the June 30, 2014, valuation and
29 continuing with each valuation thereafter, the net remaining liability shall not be

1 reamortized after application of the funds applied pursuant to the provisions of
2 Subparagraph (a) of this Paragraph.

3 (5) Effective for the June 30, 2014, valuation and for each valuation
4 thereafter until the base established pursuant to the provisions of this Subsection is
5 completely liquidated, to such base shall be applied any amounts that are not credited
6 to the experience account due to the limits contained in R.S. 11:883.1(A), without
7 reamortization of such base.

8 C. Experience account amortization base.

9 * * *

10 (4)(a) In any year in which the excess returns of the system exceed the
11 amount in Paragraph applied to the Original Amortization Base pursuant to
12 Subparagraph (B)(4)(a) of this Section, the remaining excess returns, up to the next
13 one hundred million dollars for the June 30, 2014, valuation, of excess returns shall
14 be applied to the experience account amortization base established in this Subsection.
15 The maximum amount of excess returns to be applied in any subsequent year
16 pursuant to the provisions of this Subparagraph shall equal the prior year's maximum
17 amount increased by the percentage increase in the system's actuarial value of assets
18 for the preceding year, if any.

19 (b) After such application, the net remaining liability shall be reamortized
20 over the remaining amortization period with annual payments calculated as provided
21 in this Subsection or as otherwise provided by law. Notwithstanding any provision
22 of this Subparagraph to the contrary, beginning with the June 30, 2014, valuation and
23 continuing with each valuation thereafter, the net remaining liability shall not be
24 reamortized after application of the funds applied pursuant to the provisions of
25 Subparagraph (a) of this Paragraph.

26 (5) Notwithstanding the provisions of R.S. 11:102(B)(3)(c) and (5) or any
27 other provision of law to the contrary, in any year from Fiscal Year 2009-2010
28 through Fiscal Year 2039-2040 in which the system receives an overpayment of
29 employer contributions as determined pursuant to R.S. 11:102(B)(2) and in any year

1 from Fiscal Year 2009-2010 through Fiscal Year 2039-2040 in which the system
 2 receives additional contributions pursuant to R.S. 11:102(B)(5), the amount of such
 3 overpayment or additional contribution shall be applied to the remaining balance of
 4 the experience account amortization base established pursuant to this Subsection.
 5 After such application, the net remaining liability shall be reamortized over the
 6 remaining amortization period with annual payments calculated as provided in this
 7 Subsection or as otherwise provided by law. Notwithstanding any provision of this
 8 Paragraph to the contrary, beginning with the June 30, 2014, valuation and
 9 continuing with each valuation thereafter, the net remaining liability shall not be
 10 reamortized after application of the funds applied pursuant to the provisions of this
 11 Paragraph.

12 (6) Effective for the valuation for the year in which the amortization base
 13 established pursuant to Subsection B of this Section is completely liquidated and for
 14 each valuation thereafter, to the Experience Account Amortization Base shall be
 15 applied any amounts that are not credited to the experience account due to the limits
 16 contained in R.S. 11:883.1(A), without reamortization of such base.

17 * * *

18 §542. 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 ~~R.S. 11:102.1~~ R.S.
 24 11:102(B)(3)(d)(v)(bb) and 102.1, as applicable, an amount not to exceed fifty
 25 percent of the remaining balance of the prior year's net investment experience gain
 26 as determined by the system's actuary.

27 (b) To the extent permitted by Paragraph (3) of this Subsection, an amount
 28 not to exceed that portion of the system's net investment income attributable to the
 29 balance in the experience account during the prior year.

1 (3)(a) In no event shall ~~the amount~~ a credit be made to the account that
2 would cause the balance in the experience account to exceed the reserve necessary
3 to grant;

4 (i) Two ~~two~~ permanent benefit increases ~~as provided in~~ determined pursuant
5 to Subsection C of this Section if the system is eighty-five percent funded or greater.

6 (ii) One permanent benefit increase as determined pursuant to Subsection C
7 of this Section if the system is less than eighty-five percent funded.

8 (b) If the system is less than eighty-five percent funded and has reserves in
9 excess of the amounts provided for in Item (a)(ii) of this Paragraph, it shall not apply
10 credits to the account pursuant to Subparagraph (2)(b) of this Subsection.

11 * * *

12 C.(1) In accordance with the provisions of this Section, the board of trustees
13 may recommend to the president of the Senate and the speaker of the House of
14 Representatives that the system be permitted to grant a permanent benefit increase
15 to retirees, survivors, and beneficiaries whenever the conditions in ~~Subsection F~~ of
16 this Section are satisfied and the balance in the experience account is sufficient to
17 fund such benefit fully on an actuarial basis, as determined by the system's actuary.
18 If the legislative auditor's actuary disagrees with the determination of the system's
19 actuary, a permanent benefit increase shall not be granted. The board of trustees
20 shall not grant a permanent benefit increase unless such permanent benefit increase
21 has been approved by the legislature, ~~by concurrent resolution adopted by the~~
22 ~~favorable vote of a majority of the elected members of each house.~~ Any such
23 permanent benefit increase granted on or before June 30, 2015, shall be limited to
24 and shall only be payable based on an amount not to exceed seventy thousand dollars
25 of the retiree's annual benefit. Any such permanent benefit increase granted on or
26 after July 1, 2015, shall be limited to and shall only be payable based on an amount
27 not to exceed sixty thousand dollars of the retiree's annual benefit. ~~;~~ ~~however,~~
28 ~~effective~~ Effective for years after July 1, 1999, and on or before June 30, 2015, the
29 seventy-thousand dollar limit shall be increased each year in an amount equal to any

1 increase in the consumer price index (U.S. city average for all urban consumers
2 (CPI-U)) for the preceding year, if any. Effective on or after July 1, 2015, the sixty-
3 thousand dollar limit shall be increased each year in an amount equal to any increase
4 in the consumer price index, (U.S. city average for all urban consumers (CPI-U)) for
5 the twelve-month period ending on the system's valuation date, if any. Any increase
6 granted pursuant to the provisions of this ~~Subsection~~ Section shall begin on the July
7 first following legislative approval, shall be payable annually, and shall ~~equal an~~
8 ~~amount not to exceed~~ be an amount equal to the lesser of:

9 (a) ~~Three percent.~~(b) An amount as determined in Paragraph (2) of this
10 Subsection.

11 ~~(b)(2) If the~~ The increase in the consumer price index, U.S. city average for
12 all urban consumers (CPI-U), as prepared by the U.S. Department of Labor, Bureau
13 of Labor Statistics, for the twelve-month period ending on the system's valuation
14 date calendar year immediately preceding the permanent benefit increase is less than
15 three percent, then the permanent benefit increase shall be a sum equal to the CPI-U
16 increase for that prior calendar year, if any. If the balance in the experience account
17 is not sufficient to fund that sum, no increase shall be granted.

18 (2)(a) If the system is eighty-five percent funded or greater, three percent.

19 (b) If the system is at least seventy-five percent funded but less than eighty-
20 five percent funded and the legislature has not granted a benefit increase in the
21 preceding fiscal year, two and one-half percent.

22 (c) If the system is at least sixty-five percent funded but less than seventy-
23 five percent funded and the legislature has not granted a benefit increase in the
24 preceding fiscal year, two percent.

25 (d) If the system is at least fifty-five percent funded but less than sixty-five
26 percent funded and the legislature has not granted a benefit increase in the preceding
27 fiscal year, one and one-half percent.

28 (e) If the system is less than fifty-five percent funded, no increase shall be
29 granted.

1 benefit on an actuarial basis, as determined by the system's actuary. If the legislative
2 actuary disagrees with the determination of the system's actuary, a cost-of-living
3 adjustment shall not be granted. The board of trustees shall not grant a cost-of-living
4 adjustment ~~as provided in this Subsection~~ unless such cost-of-living adjustment has
5 been approved by the legislature, ~~by concurrent resolution adopted by the favorable~~
6 ~~vote of a majority of the elected members of each house.~~ Any such cost-of-living
7 adjustment granted on or before June 30, 2015, shall be limited to and shall only be
8 payable based on an amount not to exceed eighty-five thousand dollars of the
9 retiree's annual benefit. Any such cost-of-living adjustment granted on or after July
10 1, 2015, shall be limited to and shall only be payable based on an amount not to
11 exceed sixty thousand dollars of the retiree's annual benefit., however, effective
12 Effective for years after July 1, 2007, and on or before June 30, 2015, the eighty-five
13 thousand dollar limit shall be increased each year in an amount equal to the increase
14 in the Consumer Price Index (United States city average for all urban consumers
15 (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor
16 Statistics, for the preceding calendar year, if any. Effective on or after July 1, 2015,
17 the sixty-thousand dollar limit shall be increased each year in an amount equal to any
18 increase in the consumer price index (U.S. city average for all urban consumers
19 (CPI-U)) for the twelve-month period ending on the system's valuation date, if any.
20 Any cost-of-living adjustment granted pursuant to the provisions of this ~~Subsection~~
21 Section shall begin on July first following legislative approval, shall be payable
22 annually, and shall ~~equal an amount not to exceed~~ be an amount equal to the lesser
23 of:

24 (a) ~~Three percent.~~(b) An amount as determined in Paragraph (2) of this
25 Subsection.

26 (b)(2) ~~If the~~ The increase in the Consumer Price Index (United States city
27 average for all urban consumers (CPI-U)), as prepared by the United States
28 Department of Labor, Bureau of Labor Statistics, for the twelve-month period ending
29 on the system's valuation date ~~calendar year immediately preceding the cost-of-living~~

1 adjustment is less than three percent, then the cost-of-living adjustment shall be a
2 sum equal to the CPI-U increase for that prior calendar year, if any. If the balance
3 in the experience account is not sufficient to fund that sum, no increase shall be
4 granted.

5 (2)(a) If the system is eighty-five percent funded or greater, three percent.

6 (b) If the system is at least seventy-five percent funded but less than eighty-
7 five percent funded and the legislature has not granted a benefit increase in the
8 preceding fiscal year, two and one-half percent.

9 (c) If the system is at least sixty-five percent funded but less than seventy-
10 five percent funded and the legislature has not granted a benefit increase in the
11 preceding fiscal year, two percent.

12 (d) If the system is at least fifty-five percent funded but less than sixty-five
13 percent funded and the legislature has not granted a benefit increase in the preceding
14 fiscal year, one and one-half percent.

15 (e) If the system is less than fifty-five percent funded, no increase shall be
16 granted.

17 (3) ~~The~~ Subject to the limitations contained in Paragraph (1) of this
18 Subsection, the percentage of each recipient's cost-of-living adjustment shall be
19 based on the benefit being paid to the recipient on the effective date of the increase.

20 * * *

21 D. The cost-of-living increase which is authorized by Subsection C of this
22 Section shall be limited to the lesser of either two percent or an amount determined
23 as provided in ~~Paragraph (C)(2)~~ Subsection C of this Section in or for any year in
24 which the system does not earn ~~the required actuarial rate of return as certified by the~~
25 ~~system's actuary.~~ an actuarial rate of return of at least seven and one-quarter percent
26 interest on the investment of the system's assets.

27 * * *

28 F.(1) Notwithstanding any provision of this Section to the contrary, in a year
29 in which the experience account balance is insufficient to fund the amount required

1 pursuant to Paragraph (C)(1) of this Section, the board may make the
2 recommendation provided in Paragraph (C)(1) if all of the following conditions are
3 satisfied:

4 (a) No benefit increase was granted in the preceding fiscal year.

5 (b) The experience account balance established in the system valuation for
6 the preceding fiscal year reached its maximum reserve permitted pursuant to
7 Paragraph (A)(3) of this Section applicable to the system valuation for that valuation
8 year.

9 (c) The experience account balance established in the system valuation for
10 the current fiscal year is insufficient to fund the maximum increase permitted
11 pursuant to Paragraph (C)(2) of this Section applicable to the system valuation for
12 the preceding fiscal year.

13 (d) All of the insufficiency in the account is attributable to the following:

14 (i) The growth of the cost of the increase, but only if that growth was
15 produced solely by either or both of these events:

16 (aa) Changes in the pool of the eligible recipients.

17 (bb) The growth in the benefit amount to which the increase applies due to
18 the application of the CPI-U pursuant to the provisions of Paragraph (C)(1) of this
19 Section.

20 (ii) Credits to the account, if any, are insufficient to cover the growth in the
21 cost of the increase.

22 (2) The amount of the increase shall be equal to the amount the balance in
23 the experience account will fully fund rounded to the nearest lower one-tenth of one
24 percent.

25 * * *

26 §1332. Employee Experience Account

27 A.(1) The Employee Experience Account shall be credited as follows:

28 (a) To the extent permitted by Paragraph (2) of this Subsection and after the
29 allocation as provided in R.S. 11:102(B)(3)(d)(viii)(bb), an amount not to exceed

1 fifty percent of the prior year's net investment experience gain as determined by the
2 system's actuary.

3 (b) To the extent permitted by Paragraph (2) of this Subsection, an amount
4 not to exceed that portion of the system's net investment income attributable to the
5 balance in the Employee Experience Account during the prior year.

6 (2)(a) In no event shall ~~the amount a credit be made to the account that~~
7 would cause the balance in the Employee Experience Account to exceed the reserve
8 necessary to grant;

9 (i) Two ~~two~~ cost-of-living adjustments determined pursuant to Subsection
10 C of this Section if the system is eighty-five percent funded or greater.

11 (ii) One permanent benefit increase as determined pursuant to Subsection C
12 of this Section if the system is less than eighty-five percent funded.

13 (b) If the system is less than eighty-five percent funded and has reserves in
14 excess of the amounts provided for in Item (a)(ii) of this Paragraph, it shall not apply
15 credits to the account pursuant to Subparagraph (1)(b) of this Subsection.

16 * * *

17 C.(1) In accordance with the provisions of this Section, the board of trustees
18 may recommend to the president of the Senate and the speaker of the House of
19 Representatives that the system be permitted to grant a cost-of-living adjustment to
20 retirees and beneficiaries whenever the conditions in this Section are satisfied and
21 the balance in the Employee Experience Account is sufficient to fully fund such
22 benefit on an actuarial basis, as determined by the system's actuary. If the legislative
23 actuary disagrees with the determination of the system's actuary, a cost-of-living
24 adjustment shall not be granted. The board of trustees shall not grant a cost-of-living
25 adjustment as provided in this Subsection unless such cost-of-living adjustment has
26 been approved by the legislature, by concurrent resolution adopted by the favorable
27 vote of a majority of the elected members of each house. Any such cost-of-living
28 adjustment granted on or before June 30, 2015, shall be limited to and shall only be
29 payable based on an amount not to exceed eighty-five thousand dollars of the

1 retiree's annual benefit. Any such cost-of-living adjustment granted on or after July
2 1, 2015, shall be limited to and shall only be payable based on an amount not to
3 exceed sixty thousand dollars of the retiree's annual benefit. ~~; however, effective~~
4 Effective for years after July 1, 2007, and on or before June 30, 2015, the eighty-five
5 thousand dollar limit shall be increased each year in an amount equal to the increase
6 in the ~~Consumer Price Index~~ consumer price index (United States city average for
7 all urban consumers (CPI-U)), as prepared by the United States Department of
8 Labor, Bureau of Labor Statistics, for the preceding calendar year, if any. Effective
9 on or after July 1, 2015, the sixty-thousand dollar limit shall be increased each year
10 in an amount equal to any increase in the consumer price index (U.S. city average
11 for all urban consumers (CPI-U)) for the twelve-month period ending on the system's
12 valuation date, if any. Any adjustment granted pursuant to the provisions of this
13 ~~Subsection~~ Section shall begin on July first following legislative approval, shall be
14 payable annually, and shall ~~equal an amount not to exceed~~ be an amount equal to the
15 lesser of:

16 (a) ~~Three percent.~~(b) An amount as determined in Paragraph (2) of this
17 Subsection.

18 (b)(2) ~~If the~~ The increase in the ~~Consumer Price Index~~ consumer price index
19 (United States city average for all urban consumers (CPI-U)), as prepared by the
20 United States Department of Labor, Bureau of Labor Statistics, for the twelve-month
21 period ending on the system's valuation date ~~calendar year immediately preceding~~
22 ~~the cost-of-living adjustment is less than three percent, then the cost-of-living~~
23 ~~adjustment shall be a sum equal to the CPI-U increase for that prior calendar year,~~
24 if any. If the balance in the experience account is not sufficient to fund that sum, no
25 increase shall be granted.

26 (2)(a) If the system is eighty-five percent funded or greater, three percent.

27 (b) If the system is at least seventy-five percent funded but less than eighty-
28 five percent funded and the legislature has not granted a benefit increase in the
29 preceding fiscal year, two and one-half percent.

1 (c) If the system is at least sixty-five percent funded but less than seventy-
 2 five percent funded and the legislature has not granted a benefit increase in the
 3 preceding fiscal year, two percent.

4 (d) If the system is at least fifty-five percent funded but less than sixty-five
 5 percent funded and the legislature has not granted a benefit increase in the preceding
 6 fiscal year, one and one-half percent.

7 (e) If the system is less than fifty-five percent funded, no increase shall be
 8 granted.

9 (3) ~~The~~ Subject to the limitations contained in Paragraph (1) of this
 10 Subsection, the percentage of each recipient's cost-of-living adjustment shall be
 11 based on the benefit being paid to the recipient on the effective date of the increase.

12 * * *

13 D. The cost-of-living increase which is authorized by Subsection C of this
 14 Section shall be limited to the lesser of either two percent or an amount determined
 15 as provided in ~~Paragraph (C)(2)~~ Subsection C of this Section in or for any year in
 16 which the system does not earn ~~the required actuarial rate of return as certified by the~~
 17 ~~system's actuary.~~ an actuarial rate of return of at least seven percent interest on the
 18 investment of the system's assets.

19 * * *

20 F. In addition to the cost-of-living adjustment authorized by Subsection C
 21 of this Section, the board of trustees may grant a supplemental cost-of-living
 22 adjustment to all retirees and beneficiaries who are at least age sixty-five, which
 23 shall consist of an amount equal to two percent of the benefit being received on the
 24 date of the adjustment. In order to grant such supplemental cost-of-living
 25 adjustment, the board of trustees shall recommend to the president of the Senate and
 26 the speaker of the House of Representatives that the system be permitted to grant
 27 such supplemental cost-of-living adjustment to retirees and beneficiaries whenever
 28 the balance in the Employee Experience Account is sufficient to fully fund such
 29 benefit on an actuarial basis, as determined by the system's actuary. If the legislative

1 actuary disagrees with the determination of the system's actuary, such supplemental
2 cost-of-living adjustment shall not be granted. The board of trustees shall not grant
3 such supplemental cost-of-living adjustment ~~as provided in this Subsection~~ unless
4 such supplemental cost-of-living adjustment has been approved by the legislature,
5 ~~by concurrent resolution adopted by the favorable vote of a majority of the elected~~
6 ~~members of each house.~~ Any such supplemental cost-of-living adjustment paid on
7 or before June 30, 2015, shall be limited to and shall only be payable based on an
8 amount not to exceed eighty-five thousand dollars of the retiree's annual benefit.
9 Any such supplemental cost-of-living adjustment paid on or after July 1, 2015, shall
10 be limited to and shall only be payable based on an amount not to exceed sixty
11 thousand dollars of the retiree's annual benefit. ; however, effective Effective on and
12 ~~for years~~ after July 1, 2007, and on or before June 30, 2015, the eighty-five thousand
13 dollar limit shall be increased each year in an amount equal to the increase in the
14 ~~Consumer Price Index~~ consumer price index (United States city average for all urban
15 consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau
16 of Labor Statistics, for the preceding calendar year, if any. Effective on and after
17 July 1, 2015, the sixty-thousand dollar limit shall be increased each year in an
18 amount equal to the increase in the consumer price index (United States city average
19 for all urban consumers (CPI-U)), as prepared by the United States Department of
20 Labor, Bureau of Labor Statistics, for the twelve-month period ending on the
21 system's valuation date, if any. Any cost-of-living adjustment granted pursuant to the
22 provisions of this Subsection shall begin on July first following legislative approval
23 and shall be payable annually.

24 G.(1) Notwithstanding any provision of this Section to the contrary, in a year
25 in which the experience account balance is insufficient to fund the amount required
26 pursuant to Paragraph (C)(1) of this Section, the board may make the
27 recommendation provided in Paragraph (C)(1) if all of the following conditions are
28 satisfied:

29 (a) No benefit increase was granted in the preceding fiscal year.

1 (b) The experience account balance established in the system valuation for
2 the preceding fiscal year reached its maximum reserve permitted pursuant to
3 Paragraph (A)(3) of this Section applicable to the system valuation for that valuation
4 year.

5 (c) The experience account balance established in the system valuation for
6 the current fiscal year is insufficient to fund the maximum increase permitted
7 pursuant to Paragraph (C)(2) of this Section applicable to the system valuation for
8 the preceding fiscal year.

9 (d) All of the insufficiency in the account is attributable to the following:

10 (i) The growth of the cost of the increase, but only if that growth was
11 produced solely by either or both of these events:

12 (aa) Changes in the pool of the eligible recipients.

13 (bb) The growth in the benefit amount to which the increase applies due to
14 the application of the CPI-U pursuant to the provisions of Paragraph (C)(1) of this
15 Section.

16 (ii) Credits to the account, if any, are insufficient to cover the growth in the
17 cost of the increase.

18 (2) The amount of the increase shall be equal to the amount the balance in
19 the experience account will fully fund rounded to the nearest lower one-tenth of one
20 percent.

21 Section 2. In order to assure uniform implementation of the provisions of this Act,
22 the systems shall jointly prepare and present to the House and Senate committees on
23 retirement a written policy explaining in detail each aspect of system procedure that will be
24 applied in the implementation of this Act. The policy shall be submitted to the committees
25 no later than September 2, 2014. The House and Senate committees on retirement shall meet
26 jointly prior to December 31, 2014, to review and consider approval of the policy.

27 Section 3. The provisions of Sections 1 and 2 of this Act shall become effective if
28 and when the Acts which originated as Senate Bill Nos. 16, 18, 19, and 21 of the 2014
29 Regular Session of the Legislature of Louisiana become effective.

1 Section 4. The provisions of this Section and Section 3 of this Act shall become
2 effective on June 30, 2014; if this Act is vetoed by the governor and subsequently approved
3 by the legislature, the provisions of this Section and Section 3 of this Act shall become
4 effective on June 30, 2014, or on the day following such approval by the legislature,
5 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)]

Robideaux

HB No. 1225

Abstract: Requires the four state retirement systems (La. State Employees' Retirement System (LASERS); Teachers' Retirement System of La. (TRSL); La. School Employees' Retirement System (LSERS); and State Police Retirement System (STPOL)) to apply certain amounts of excess investment returns to their outstanding debt and limits creation of additional liabilities through the granting of benefit increases.

Proposed law generally requires increased payments to outstanding debts of state retirement systems and restricts the creation of additional system liabilities by limiting the amount and frequency of benefit increases.

Debt Payments from Excess Returns

Proposed law, as more fully explained below, generally requires each system to apply to its oldest debt a portion of each year's excess investment returns. The amount paid will increase each year in proportion to the growth in the system's actuarial value of assets.

Present law (R.S. 11:102) establishes the calculation of employer contribution rates for state retirement systems. A portion of the rate is calculated based on the that year's required amortization payment on outstanding system debt. Proposed law retains present law.

Teachers and State Employees

Both LASER and TRSL have remaining unfunded accrued liability that existed as of June 30, 1988 (IUAL). For each system, the IUAL debt has been consolidated into an amortization base called the Original Amortization Base (OAB), and the debts of the system incurred between 1988 and 2009 have been consolidated into an amortization base called the Experience Account Amortization Base (EAAB).

Present law for LASERS (R.S. 11:102.1) requires the first \$50 million of the system's excess returns to be applied to the OAB. Further requires the next \$50 million of excess returns to be applied to the EAAB. Present law for TRSL (R.S. 11:102.2) requires the first \$100 million of the system's excess returns be applied to the OAB. Further requires the next \$100 million of excess returns to be applied to the EAAB.

Proposed law indexes these required payments to the percentage increase in the system's actuarial value of assets for the preceding year. Each year the maximum amount to be

applied by the system to its OAB and EAAB shall equal the prior year's maximum payment increased by the percentage increase in the actuarial value of assets, if any.

Proposed law further requires that upon complete liquidation of either the OAB or the EAAB, the system shall continue to apply to the remaining debt the same indexed payments it would have made to the fully liquidated debt. Upon complete liquidation of both the OAB and the EAAB, the system shall continue to pay the full amount of indexed payments to its oldest outstanding debt. Excludes particularized liabilities and employer contribution variance liabilities from the oldest outstanding debt.

School Employees and State Police

Both LSERS and STPOL have completely paid their IUAL. Proposed law requires that in any year that LSERS or STPOL has excess investment returns above its actuarially assumed rate of return, the system must apply a certain portion of such returns to its oldest outstanding debt. Requires LSERS to pay the first \$15 million of such excess returns to its oldest debt. Requires STPOL to pay the first \$5 million of such excess returns to its oldest debt. Further requires that the amount paid each year be increased by the percentage increase in the system's actuarial value of assets for the preceding year. Each year the maximum amount to be applied by the system to its oldest debt shall equal the prior year's maximum payment increased by the percentage increase in the actuarial value of assets, if any. Once the oldest debt has been completely liquidated, requires the system to apply remaining sums and subsequent payments to the next oldest debt, until all system debts are completely liquidated. Excludes employer contribution variance liabilities from the oldest outstanding debt.

Reamortization of Debt

Present law provides for reamortization of remaining debt after application of excess funds to the OAB or the EAAB of a system. Proposed law provides that beginning with the June 30, 2014, valuation, such debts shall not be reamortized after application of payments pursuant to present and proposed law.

All Four State Systems

Present law establishes an experience account in each state system. For LSERS and STPOL, the accounts are credited with one half of the system's excess returns above its assumed actuarial rate of return. For LASERS and TRSL, the accounts are credited with one half of the excess returns above the system's assumed actuarial rate of return *after* payments are made to the OAB and the EAAB.

Proposed law, as explained in more detail below, modifies the amount of excess returns that may be credited to a system's experience account. Further requires that any amounts not credited to the experience account because of limits in proposed law be applied to the oldest debt of the system. For LASERS and TRSL, requires these amounts to first be applied to the OAB until it is fully liquidated, then to the EAAB until it is fully liquidated, and then to the oldest debt of the system.

Further provides that after application of any such payment pursuant to proposed law, the remaining debt shall not be reamortized.

Experience Accounts

Experience accounts are accounts established pursuant to present law to fund permanent benefit increases for retirees of state systems.

Proposed law requires debts created by funds being moved into an experience account to be amortized over a 10-year period.

Present law authorizes credits to a system's experience account in an amount up to that necessary to grant two permanent benefit increases. Proposed law retains present law for a system that is 85% funded or better. If a system is less than 85% funded, proposed law authorizes credits up to the amount necessary to grant one permanent benefit increase pursuant to proposed law.

Present law provides that, to the extent permitted by the two benefit increase cap, the experience account is credited with interest attributable to the amount in the account during the prior year. Proposed law provides that interest may only be credited up to the applicable one or two benefit increase cap. Further provides that if a system dips below 85% funded, no interest may be credited to the account while the reserves in the account exceed the one benefit increase cap.

Present law provides that the account be debited for the portion of the system's net investment loss attributable to the balance in the account during the prior year. Proposed law retains present law.

Present law provides that a benefit increase funded by the account is limited to the lesser of 3% or the consumer price index (U.S. city average for all urban consumers (CPI-U)) for the preceding calendar year.

Proposed law provides that a benefit increase funded by the account is limited to the lesser of the following:

- (1) The CPI-U for the twelve month period ending on the system's valuation date.
- (2)
 - (a) If the system is 85% funded or greater, 3%.
 - (b) If the system is at least 75% funded but less than 85% funded and the legislature has not granted a benefit increase in the preceding year, 2.5%.
 - (c) If the system is at least 65% funded but less than 75% funded and the legislature has not granted a benefit increase in the preceding year, 2%.
 - (d) If the system is at least 55% funded but less than 65% funded and the legislature has not granted a benefit increase in the preceding year, 1.5%.
 - (e) If the system is less than 55% funded, no benefit increase shall be granted.

Present law for LASERS and TRSL provides that if the system does not attain an actuarial rate of return of at least 8.25%, a benefit increase pursuant to present law is limited to the lesser of 2% or the CPI-U. Proposed law retains present law.

Present law for LSERS provides that if the system does not attain its actuarial rate of return, a benefit increase pursuant to present law is limited to the lesser of 2% or the CPI-U. Proposed law changes the hurdle from the system's actuarial rate of return to an actuarial rate of return of 7.25%.

Present law for STPOL provides that if the system does not attain its actuarial rate of return, a benefit increase pursuant to present law is limited to the lesser of 2% or the CPI-U. Proposed law changes the hurdle from the system's actuarial rate of return to an actuarial rate of return of 7%.

Present law for LASERS and TRSL further provides that no benefit increase shall be granted in a year in which the system is less than 80% funded and the system fails to meet its actuarially assumed rate of return. Proposed law retains present law.

Proposed law authorizes each system to grant a partial benefit increase, regardless of funded ratio or achieved rate of return, if all of the following criteria are met:

- (1) No benefit increase was granted in the preceding fiscal year.
- (2) The experience account balance in the preceding fiscal year had reached its maximum reserve for that valuation year.
- (3) The experience account balance in the current fiscal year is no longer enough to fund the maximum increase due to either or both of the following:
 - (a) Growth in the cost of the increase based on changes in the pool of eligible recipients, growth in the benefit amount due to the indexing of the CPI-U, or both.
 - (b) Credits to the account in the current fiscal year, if any, are insufficient to cover the growth in the cost of the increase.

In the event all of the criteria in proposed law are met, the systems are authorized to provide an increase equal to the amount the balance in the experience account will fully fund rounded down to the lower 0.1%.

Present law for each system establishes a portion of each retiree's benefit upon which a benefit increase is calculated. The portions are as follows:

- (1) For LASERS and TRSL, the amount is the first \$70,000 of a retiree's benefit, indexed to the CPI-U for the prior calendar year.
- (2) For LSERS and STPOL, the amount is the first \$85,000 of a retiree's benefit, indexed to the CPI-U for the prior calendar year.

Proposed law retains present law for all benefit increases granted prior to July 1, 2015.

Proposed law provides that for any benefit increase granted on or after July 1, 2015, the increase shall be calculated on the first \$60,000 of a retiree's benefit, indexed to the CPI-U for the twelve month period ending on the system's valuation date.

Present law for STPOL authorizes a supplemental benefit increase of 2% for retirees and beneficiaries who are age 65 and older. Proposed law retains present law.

Present law provides that the amount of such supplemental benefit shall be based on the first \$85,000 of a retiree's annual benefit, indexed to the CPI-U for the prior calendar year. Proposed law retains present law for any such benefit granted prior to July 1, 2015.

Proposed law further provides that for any supplemental increase granted on or after July 1, 2015, the increase shall be calculated on the first \$60,000 of the retiree's benefit, indexed to the CPI-U for the twelve month period ending on the system's valuation date.

Authorization of Benefit Increases

Present constitution (La. Const. Art. X, Sec. 29) requires alteration or enactment of benefit provisions for members of a public retirement system, plan, or fund subject to legislative authority by an Act of the legislature.

Present law in each system's experience account provides that the board of trustees grant the benefit increase authorized by present law. Further provides that the legislature approve the increase. Proposed law retains present law.

Present constitution provides that a benefit provision with an actuarial cost must receive a two-thirds vote of the elected members of each house of the legislature in order to become effective.

Present law relative to each system's experience account provides that a benefit increase be enacted by adoption of a resolution by majority vote of the elected members of each house of the legislature. Proposed law repeals present law.

Uniform Implementation

Proposed law requires the four state retirement systems to submit a joint report to the House and Senate Committees on Retirement detailing the system procedures that will be used to implement the Act. Requires the policy to be submitted no later than Sept. 2, 2014. Requires the committees on retirement to meet jointly to review the policy prior to Dec. 31, 2014.

Effective if and when SB Nos. 16, 18, 19, and 21 of the 2014 RS become effective.

(Amends R.S. 11:102(B)(3)(d)(v)-(viii), 102.1(B)(3)(b), (4) and (5), and (C)(4) and (5), 102.2(B)(3)(b) and (4) and (C)(4) and (5), 542(A)(2) and (3), (C)(1)-(3), and (F)(1), 883.1(A)(2) and (3), (C)(1)-(3), (F), and (G)(1), 1145.1(A), (C)(1)-(3), and (D), and 1332(A), (C)(1)-(3), (D), and (F); Adds R.S. 11:102.1(B)(6) and (C)(6), 102.2(B)(5) and (C)(6), 542(G), 883.1(H), 1145.1(F), and 1332(G))

Summary of Amendments Adopted by House

Committee Amendments Proposed by House Committee on Retirement to the original bill.

1. Adds provisions to each system requiring a 10-year amortization for debt established by removing money from the general pool of assets and crediting it to the experience account.
2. Adds provision authorizing each system to grant a partial benefit increase under certain circumstances.
3. Excludes particularized liabilities (for LASERS and TRSL) and employer contribution variance debts (for all four systems) from required payments on "oldest" debt of the system.
4. Removes provision requiring joint report by systems to the Public Retirement Systems' Actuarial Committee.
5. Adds provision requiring joint report by systems to the House and Senate Committees on Retirement.
6. Removes proposed law changes with respect to the role of system boards in granting benefit increases.
7. For LSERS and STPOL, adds provisions establishing each system's current assumed rate of return as a threshold for granting a benefit increase above 2%.
8. Removes provisions restricting granting of benefit increases to every other year when the system is above 85% funded.