

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. 11:102.3, 542(G), 883.1(H), 1145.1(F), and 1332(G),
7 relative to the liabilities of the state retirement systems; to provide for payment of
8 such liabilities; to limit creation of certain additional liabilities through benefit
9 increases; to provide relative to authorization of such benefit increases; to provide
10 for an effective date; and to provide for related matters.

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

14 Be it enacted by the Legislature of Louisiana:

15 Section 1. R.S. 11:102(B)(3)(d)(v) through (viii), 102.1(B)(3)(b), (4), and (5) and
16 (C)(4) and (5), 102.2(B)(3)(b) and (4) and (C)(4) and (5), 542(A)(2) and (3), (C)(1) through
17 (3), and (F)(1), 883.1(A)(2) and (3), (C)(1) through (3), (F), and (G)(1), 1145.1(A), (C)(1)
18 through (3), and (D), and 1332(A), (C)(1) through (3), (D), and (F) are hereby amended and
19 reenacted and R.S. 11:102.3, 542(G), 883.1(H), 1145.1(F), and 1332(G) are hereby enacted
20 to read as follows:

1 §102. Employer contributions; determination; state systems

2 * * *

3 B.

4 * * *

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

8 * * *

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

12 * * *

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

28 (II) Notwithstanding the provisions of Subsubitem (I) of this Subitem,
29 effective for the June thirtieth valuation following the fiscal year in which the system

1 first attains a funded percentage of eighty-five or more and for every year thereafter,
2 the amortization period for the changes, gains, or losses of the Louisiana State
3 Employees' Retirement System provided in Items (i) through (iv) of this
4 Subparagraph shall be twenty years from the year in which the change, gain, or loss
5 occurred.

6 (bb)(I) Effective for the June thirtieth valuation for the fiscal year
7 immediately following the year in which the system fully liquidates an amortization
8 base established in R.S. 11:102.1 and for each valuation thereafter, after any
9 remaining payment required pursuant to R.S. 11:102.1, the system shall apply to the
10 oldest outstanding positive amortization base of the system, the system's remaining
11 excess investment experience returns. For the first valuation to which this
12 Subsubitem applies the amount of excess returns to be applied pursuant to the
13 provisions of this Subsubitem shall be the excess returns up to the amount of excess
14 investment experience returns as equals that year's remaining payment pursuant to
15 R.S. 11:102.1. Upon complete liquidation of such amortization base, any remaining
16 funds shall be applied to the next oldest outstanding positive amortization base until
17 no further funds remain or all such bases are completely liquidated. Notwithstanding
18 any provision of this Subitem to the contrary, the maximum amount of excess returns
19 to be applied in any subsequent year pursuant to this Subsubitem shall equal the prior
20 year's maximum amount increased by the percentage increase in the system's
21 actuarial value of assets for the preceding year, if any. For any payment made
22 pursuant to the provisions of this Subsubitem, if the system is eighty-five percent
23 funded or greater prior to the application of the funds, the net remaining liability
24 shall be reamortized over the remaining amortization period with annual payments
25 calculated as provided in this Item; if the system is less than eighty-five percent
26 funded prior to application of the funds, the net remaining liability shall not be
27 reamortized after such application. For the purposes of this Subsubitem, the oldest
28 outstanding positive amortization base shall first mean the Original Amortization
29 Base until it is completely liquidated, then the Experience Account Amortization

1 Base until it is completely liquidated, and then the oldest outstanding debt of the
2 system excluding any amortization base established to amortize a particularized
3 liability established pursuant to Subsection C of this Section or a liability established
4 pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection.

5 (II) Effective for the June thirtieth valuation for the fiscal year immediately
6 following the year in which the system fully liquidates the last remaining
7 amortization base established in R.S. 11:102.1 and for each valuation thereafter, if
8 the system's investment experience for the fiscal year exceeds the system's actuarial
9 assumed rate of return, the system shall apply to the oldest outstanding positive
10 amortization base of the system, excluding any amortization base established to
11 amortize a particularized liability established pursuant to Subsection C of this
12 Section or a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this
13 Subsection, the system's excess investment experience returns. For the first
14 valuation to which this Subsubitem applies, the amount of excess returns to be
15 applied pursuant to the provisions of this Subsubitem shall be the excess returns up
16 to the amount of excess investment experience returns as equals double the last
17 payment made pursuant to Subsubitem (I) of this Subitem. Upon complete
18 liquidation of such amortization base, any remaining funds shall be applied to the
19 next oldest outstanding positive amortization base until no further funds remain or
20 all such bases are completely liquidated. Notwithstanding any provision of this
21 Subitem to the contrary, the maximum amount of excess returns to be applied in any
22 subsequent year pursuant to this Subsubitem 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. For any payment made pursuant to the provisions of
25 this Subsubitem, if the system is eighty-five percent funded or greater prior to the
26 application of the funds, the net remaining liability shall be reamortized over the
27 remaining amortization period with annual payments calculated as provided in this
28 Item; if the system is less than eighty-five percent funded prior to application of the
29 funds, the net remaining liability shall not be reamortized after such application.

1 (cc) Effective for the June 30, 2019, 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 (dd) Notwithstanding any provision of this Item to the contrary, for the June
5 30, 2014, valuation the amortization period for investment gains not allocated to the
6 Original Amortization Base, the Experience Account Amortization Base, or credited
7 to the experience account shall be five years.

8 (vi)(aa)(I) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001,
9 the amortization period for the changes, gains, or losses of the Louisiana School
10 Employees' Retirement System provided in Items (i) through (iv) of this
11 Subparagraph shall be thirty years, or in accordance with standards promulgated by
12 the Governmental Accounting Standards Board, from the year in which the change,
13 gain, or loss occurred. The outstanding balances of amortization bases established
14 pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year 2000-
15 2001, shall be amortized as a level dollar amount from July 1, 2004, through June 30,
16 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the
17 outstanding balances of amortization bases established pursuant to Items (i) through
18 (iv) of this Subparagraph shall be amortized as a level dollar amount.

19 (II) Notwithstanding the provisions of Subsubitem (I) of this Subitem,
20 effective for the June thirtieth valuation following the fiscal year in which the
21 system first attains a funded percentage of eighty-five or more and for every year
22 thereafter, the amortization period for the changes, gains, or losses of the Louisiana
23 School Employees' Retirement System provided in Items (i) through (iv) of this
24 Subparagraph shall be twenty years from the year in which the change, gain, or loss
25 occurred.

26 (bb)(I) Effective for the June 30, 2014, valuation, if the system's investment
27 experience for the fiscal year exceeds the system's actuarial assumed rate of return,
28 the system shall apply the excess investment experience returns, up to the first seven
29 and one-half million dollars, to the oldest outstanding positive amortization base of

1 the system, excluding any amortization base established to amortize a liability
2 established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection, and
3 without reamortization of such base.

4 (II) Effective for the June 30, 2015, valuation and for each valuation
5 thereafter, if the system's investment experience for the fiscal year exceeds the
6 system's actuarial assumed rate of return, the system shall apply the excess
7 investment experience returns, up to the first fifteen million dollars for the June 30,
8 2015, valuation, to the oldest outstanding positive amortization base of the system,
9 excluding any amortization base established to amortize a liability established
10 pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection. Upon complete
11 liquidation of such amortization base, any remaining funds shall be applied to the
12 next oldest outstanding positive amortization base until no further funds remain or
13 all such bases are completely liquidated. Notwithstanding any provision of this
14 Subsubitem to the contrary, the maximum amount of excess returns to be applied in
15 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 any payment made pursuant to the
18 provisions of this Subsubitem, if the system is eighty-five percent funded or greater
19 prior to the application of the funds, the net remaining liability shall be reamortized
20 over the remaining amortization period with annual payments calculated as provided
21 in this Item; if the system is less than eighty-five percent funded prior to application
22 of the funds, the net remaining liability shall not be reamortized after such
23 application.

24 (cc) Effective for the June 30, 2019, system valuation and for each valuation
25 thereafter, actuarial gains allocated to the experience account shall be amortized as
26 a loss with level payments over a ten-year period.

27 (dd) Notwithstanding any provision of this Item to the contrary, for the June
28 30, 2014, valuation the amortization period for investment gains not allocated to the

1 oldest outstanding positive amortization base pursuant to Subitem (bb) of this Item
2 or credited to the experience account shall be five years.

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

18 (II) Notwithstanding the provisions of Subsubitem (I) of this Subitem,
19 effective for the June thirtieth valuation following the fiscal year in which the system
20 first attains a funded percentage of eighty-five or more and for every year thereafter,
21 the amortization period for the changes, gains, or losses of the Teachers' Retirement
22 System of Louisiana provided in Items (i) through (iv) of this Subparagraph shall be
23 twenty years from the year in which the change, gain, or loss occurred.

24 (bb)(I) Effective for the June thirtieth valuation for the fiscal year
25 immediately following the year in which the system fully liquidates an amortization
26 base established in R.S. 11:102.2 and for each valuation thereafter, after any
27 remaining payment required pursuant to R.S. 11:102.2, the system shall apply to the
28 oldest outstanding positive amortization base of the system, the system's remaining
29 excess investment experience returns. For the first valuation to which this

1 Subsubitem applies the amount of excess returns to be applied pursuant to the
2 provisions of this Subsubitem shall be the excess returns up to the amount of excess
3 investment experience returns as equals that year's remaining payment pursuant to
4 R.S. 11:102.2. Upon complete liquidation of such amortization base, any remaining
5 funds shall be applied to the next oldest outstanding positive amortization base until
6 no further funds remain or all such bases are completely liquidated. Notwithstanding
7 any provision of this Subitem to the contrary, the maximum amount of excess returns
8 to be applied in any subsequent year pursuant to this Subsubitem shall equal the prior
9 year's maximum amount increased by the percentage increase in the system's
10 actuarial value of assets for the preceding year, if any. For any payment made
11 pursuant to the provisions of this Subsubitem, if the system is eighty-five percent
12 funded or greater prior to the application of the funds, the net remaining liability
13 shall be reamortized over the remaining amortization period with annual payments
14 calculated as provided in this Item; if the system is less than eighty-five percent
15 funded prior to application of the funds, the net remaining liability shall not be
16 reamortized after such application. For the purposes of this Subitem, the oldest
17 outstanding positive amortization base shall first mean the Original Amortization
18 Base until it is completely liquidated, then the Experience Account Amortization
19 Base until it is completely liquidated, and then the oldest outstanding debt of the
20 system excluding any amortization base established to amortize a particularized
21 liability established pursuant to Subsection D of this Section or a liability established
22 pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection.

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

1 Section or a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this
2 Subsection, the system's excess investment experience returns. For the first
3 valuation to which this Subsubitem applies, the amount of excess returns to be
4 applied pursuant to the provisions of this Subsubitem shall be the excess returns up
5 to the amount of excess investment experience returns as equals double the last
6 payment made pursuant to Subsubitem (I) of this Subitem. Upon complete
7 liquidation of such amortization base, any remaining funds shall be applied to the
8 next oldest outstanding positive amortization base until no further funds remain or
9 all such bases are completely liquidated. Notwithstanding any provision of this
10 Subitem to the contrary, the maximum amount of excess returns to be applied in any
11 subsequent year pursuant to this Subsubitem shall equal the prior year's maximum
12 amount increased by the percentage increase in the system's actuarial value of assets
13 for the preceding year, if any. For any payment made pursuant to the provisions of
14 this Subsubitem, if the system is eighty-five percent funded or greater prior to the
15 application of the funds, the net remaining liability shall be reamortized over the
16 remaining amortization period with annual payments calculated as provided in this
17 Item; if the system is less than eighty-five percent funded prior to application of the
18 funds, the net remaining liability shall not be reamortized after such application.

19 (cc) Effective for the June 30, 2019, system valuation and for each valuation
20 thereafter, actuarial gains allocated to the experience account shall be amortized as
21 a loss with level payments over a ten-year period.

22 (dd) Notwithstanding any provision of this Item to the contrary, for the June
23 30, 2014, valuation the amortization period for investment gains not allocated to the
24 Original Amortization Base, the Experience Account Amortization Base, or credited
25 to the experience account shall be five years.

26 (viii)(aa)(I) Effective July 1, 2009, and beginning with Fiscal Year 1992-
27 1993, the amortization period for the changes, gains, or losses of the Louisiana State
28 Police Retirement System provided in Items (i) through (iv) of this Subparagraph
29 shall be thirty years, or in accordance with standards promulgated by the

1 Governmental Accounting Standards Board, from the year in which the change, gain,
2 or loss occurred. The outstanding balances of amortization bases established
3 pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year 2008-
4 2009, shall be amortized as a level dollar amount from July 1, 2009, through June 30,
5 2029. Beginning with Fiscal Year 2008-2009, and for each fiscal year thereafter, the
6 outstanding balances of amortization bases established pursuant to Items (i) through
7 (iv) of this Subparagraph shall be amortized as a level dollar amount.

8 (II) Notwithstanding the provisions of Subsubitem (I) of this Subitem,
9 effective for the June thirtieth valuation following the fiscal year in which the
10 system first attains a funded percentage of eighty-five or more and for every year
11 thereafter, the amortization period for the changes, gains, or losses of the Louisiana
12 State Police Retirement System provided in Items (i) through (iv) of this
13 Subparagraph shall be twenty years from the year in which the change, gain, or loss
14 occurred.

15 (bb)(I) Effective for the June 30, 2014, valuation, if the system's investment
16 experience for the fiscal year exceeds the system's actuarial assumed rate of return,
17 the system shall apply the excess investment experience returns, up to the first two
18 and one-half million dollars, to the oldest outstanding positive amortization base of
19 the system, excluding any amortization base established to amortize a liability
20 established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection, and
21 without reamortization of such base.

22 (II) Effective for the June 30, 2015, valuation and for each valuation
23 thereafter, if the system's investment experience for the fiscal year exceeds the
24 system's actuarial assumed rate of return, the system shall apply the excess
25 investment experience returns, up to the first five million dollars for the June 30,
26 2015, valuation, to the oldest outstanding positive amortization base of the system,
27 excluding any amortization base established to amortize a liability established
28 pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection. Upon complete
29 liquidation of such amortization base, any remaining funds shall be applied to the

1 (b) The first payment after this consolidation shall be made in Fiscal Year
2 2010-2011 and the final payment ~~in~~ shall be made no later than Fiscal Year 2028-2029.

3 (4)(a) ~~In~~ Except as provided in Paragraph (6) of this Subsection, in any year
4 in which the system exceeds its actuarially-assumed rate of return, the first fifty
5 million dollars of excess returns, up to the first fifty million for the June 30, 2015,
6 valuation, shall be applied to the remaining balance of the original amortization base
7 established in this Subsection. The maximum amount of excess returns to be applied
8 in any subsequent year pursuant to the provisions of this Subparagraph shall equal
9 the prior year's maximum amount increased by the percentage increase in the
10 system's actuarial value of assets for the preceding year, if any.

11 (b) ~~After such application, the net remaining liability shall be reamortized~~
12 ~~over the remaining amortization period with annual payments calculated as provided~~
13 ~~in this Subsection or as otherwise provided by law. For any payment made pursuant~~
14 ~~to the provisions of this Paragraph, if the system is eighty-five percent funded or~~
15 ~~greater prior to the application of the funds, the net remaining liability shall be~~
16 ~~reamortized over the remaining amortization period with annual payments calculated~~
17 ~~as provided in this Subsection or as otherwise provided by law; if the system is less~~
18 ~~than eighty-five percent funded prior to application of the funds, the net remaining~~
19 ~~liability shall not be reamortized after such application.~~

20 (5) Notwithstanding the provisions of R.S. 11:102(B)(3)(c) and (5) or any
21 other provision of law to the contrary, in any year through Fiscal Year 2016-2017 in
22 which the system receives an overpayment of employer contributions as determined
23 pursuant to R.S. 11:102(B)(2) and in any year through Fiscal Year 2016-2017 in
24 which the system receives additional contributions pursuant to R.S. 11:102(B)(5),
25 the amount of such overpayment or additional contribution shall be applied to the
26 remaining balance of the original amortization base established pursuant to this
27 Subsection. ~~After such application, the net remaining liability shall be reamortized~~
28 ~~over the remaining amortization period with annual payments calculated as provided~~
29 ~~in this Subsection or as otherwise provided by law. For any payment made pursuant~~

1 to the provisions of this Paragraph, if the system is eighty-five percent funded or
2 greater prior to the application of the funds, the net remaining liability shall be
3 reamortized over the remaining amortization period with annual payments calculated
4 as provided in this Subsection or as otherwise provided by law; if the system is less
5 than eighty-five percent funded prior to application of the funds, the net remaining
6 liability shall not be reamortized after such application.

7 (6) For the June 30, 2014, valuation, if the system exceeds its actuarially-
8 assumed rate of return, the excess returns, up to the first twenty-five million dollars,
9 shall be applied to the remaining balance of the original amortization base
10 established in this Subsection, without reamortization of such base.

11 C. Experience account amortization base.

12 * * *

13 (4)(a) ~~In~~ Except as provided in Paragraph (6) of this Subsection, in any year
14 in which the excess returns of the system exceed the amount in Paragraph applied to
15 the Original Amortization Base pursuant to Subparagraph (B)(4)(a) of this Section,
16 the remaining excess returns, up to the next fifty million dollars for the June 30,
17 2015, valuation, of excess returns shall be applied to the experience account
18 amortization base established in this Subsection. The maximum amount of excess
19 returns to be applied in any subsequent year pursuant to the provisions of this
20 Subparagraph shall equal the prior year's maximum amount increased by the
21 percentage increase in the system's actuarial value of assets for the preceding year,
22 if any.

23 (b) ~~After such application, the net remaining liability shall be reamortized~~
24 ~~over the remaining amortization period with annual payments calculated as provided~~
25 ~~in this Subsection or as otherwise provided by law. For any payment made pursuant~~
26 to the provisions of this Paragraph, if the system is eighty-five percent funded or
27 greater prior to the application of the funds, the net remaining liability shall be
28 reamortized over the remaining amortization period with annual payments calculated
29 as provided in this Subsection or as otherwise provided by law; if the system is less

1 B. Original amortization base.

2 * * *

3 (3)

4 * * *

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

7 (4)(a) ~~In~~ Except as provided in Paragraph (5) of this Subsection, in any year
8 in which the system exceeds its actuarially-assumed rate of return, the first one
9 hundred million dollars of excess returns, up to the first one hundred million dollars
10 for the June 30, 2015, valuation, shall be applied to the remaining balance of the
11 original amortization base established in this Subsection. The maximum amount of
12 excess returns to be applied in any subsequent year pursuant to the provisions of this
13 Subparagraph shall equal the prior year's maximum amount increased by the
14 percentage increase in the system's actuarial value of assets for the preceding year,
15 if any.

16 (b) ~~After such application, the net remaining liability shall be reamortized~~
17 ~~over the remaining amortization period with annual payments as provided in this~~
18 ~~Subsection or as otherwise provided by law. For any payment made pursuant to the~~
19 ~~provisions of this Paragraph, if the system is eighty-five percent funded or greater~~
20 ~~prior to the application of the funds, the net remaining liability shall be reamortized~~
21 ~~over the remaining amortization period with annual payments calculated as provided~~
22 ~~in this Subsection or as otherwise provided by law; if the system is less than eighty-~~
23 ~~five percent funded prior to application of the funds, the net remaining liability shall~~
24 ~~not be reamortized after such application.~~

25 (5) For the June 30, 2014, valuation, if the system exceeds its actuarially-
26 assumed rate of return, the excess returns, up to the first fifty million dollars, shall
27 be applied to the remaining balance of the original amortization base established in
28 this Subsection, without reamortization of such base.

1 C. Experience account amortization base.

2 * * *

3 (4)(a) ~~In~~ Except as provided in Paragraph (6) of this Subsection, in any year
4 in which the excess returns of the system exceed the amount in Paragraph applied to
5 the Original Amortization Base pursuant to Subparagraph (B)(4)(a) of this Section,
6 the remaining excess returns, up to the next one hundred million dollars for the June
7 30, 2015, valuation, of excess returns shall be applied to the experience account
8 amortization base established in this Subsection. The maximum amount of excess
9 returns to be applied in any subsequent year pursuant to the provisions of this
10 Subparagraph shall equal the prior year's maximum amount increased by the
11 percentage increase in the system's actuarial value of assets for the preceding year,
12 if any.

13 (b) ~~After such application, the net remaining liability shall be reamortized~~
14 ~~over the remaining amortization period with annual payments calculated as provided~~
15 ~~in this Subsection or as otherwise provided by law. For any payment made pursuant~~
16 ~~to the provisions of this Paragraph, if the system is eighty-five percent funded or~~
17 ~~greater prior to the application of the funds, the net remaining liability shall be~~
18 ~~reamortized over the remaining amortization period with annual payments calculated~~
19 ~~as provided in this Subsection or as otherwise provided by law; if the system is less~~
20 ~~than eighty-five percent funded prior to application of the funds, the net remaining~~
21 ~~liability shall not be reamortized after such application.~~

22 (5) Notwithstanding the provisions of R.S. 11:102(B)(3)(c) and (5) or any
23 other provision of law to the contrary, in any year from Fiscal Year 2009-2010
24 through Fiscal Year 2039-2040 in which the system receives an overpayment of
25 employer contributions as determined pursuant to R.S. 11:102(B)(2) and in any year
26 from Fiscal Year 2009-2010 through Fiscal Year 2039-2040 in which the system
27 receives additional contributions pursuant to R.S. 11:102(B)(5), the amount of such
28 overpayment or additional contribution shall be applied to the remaining balance of
29 the experience account amortization base established pursuant to this Subsection.

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

1 ~~After such application, the net remaining liability shall be reamortized over the~~
 2 ~~remaining amortization period with annual payments calculated as provided in this~~
 3 ~~Subsection or as otherwise provided by law. For any payment made pursuant to the~~
 4 ~~provisions of this Paragraph, if the system is eighty-five percent funded or greater~~
 5 ~~prior to the application of the funds, the net remaining liability shall be reamortized~~
 6 ~~over the remaining amortization period with annual payments calculated as provided~~
 7 ~~in this Subsection or as otherwise provided by law; if the system is less than eighty-~~
 8 ~~five percent funded prior to application of the funds, the net remaining liability shall~~
 9 ~~not be reamortized after such application.~~

10 (6) For the June 30, 2014, valuation, if the excess returns of the system
 11 exceed the amount applied to the original amortization base pursuant to
 12 Subparagraph (B)(5) of this Section, the remaining excess returns, up to the next fifty
 13 million dollars, shall be applied to the remaining balance of the experience account
 14 amortization base established in this Subsection, without reamortization of such
 15 base.

16 §102.3. Review of volatility

17 Following the close of Fiscal Year 2018-2019, the future volatility of the
 18 then-existing schedules of each state system shall be reexamined by staff of each
 19 system and of the legislature, including actuaries for both. The results of this
 20 reexamination, which may identify issues to be resolved and include
 21 recommendations for plan amendments, shall be reported to the Public Retirement
 22 Systems' Actuarial Committee by November 1, 2019. The committee shall review
 23 the results and determine what changes to the system plan provisions, if any, are
 24 advisable. If appropriate, the committee shall make a recommendation to the
 25 legislature on whether and what type of legislation is warranted.

26 * * *

27 §542. Experience account

28 A.

29 * * *

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

2 (a) To the extent permitted by Paragraph (3) of this Subsection and after
3 allocation to the ~~consolidated~~ amortization bases as provided in ~~R.S. 11:102.1~~ R.S.
4 11:102(B)(3)(d)(v)(bb) and 102.1, as applicable, an amount not to exceed fifty
5 percent of the remaining balance of the prior year's net investment experience gain
6 as determined by the system's actuary.

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

10 (3)(a) In no event shall ~~the amount~~ a credit be made to the account that
11 would cause the balance in the experience account to exceed the reserve necessary
12 to grant:

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

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

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

20 * * *

21 C.(1) In accordance with the provisions of this Section, the board of trustees
22 may recommend to the president of the Senate and the speaker of the House of
23 Representatives that the system be permitted to grant a permanent benefit increase
24 to retirees, survivors, and beneficiaries whenever the conditions in ~~Subsection F~~ of
25 this Section are satisfied and the balance in the experience account is sufficient to
26 fund such benefit fully on an actuarial basis, as determined by the system's actuary.
27 If the legislative auditor's actuary disagrees with the determination of the system's
28 actuary, a permanent benefit increase shall not be granted. The board of trustees
29 shall not grant a permanent benefit increase unless such permanent benefit increase

1 has been approved by the legislature, ~~by concurrent resolution adopted by the~~
 2 ~~favorable vote of a majority of the elected members of each house.~~ Any such
 3 permanent benefit increase granted on or before June 30, 2015, shall be limited to
 4 and shall only be payable based on an amount not to exceed seventy thousand dollars
 5 of the retiree's annual benefit. Any such permanent benefit increase granted on or
 6 after July 1, 2015, shall be limited to and shall only be payable based on an amount
 7 not to exceed sixty thousand dollars of the retiree's annual benefit. ~~;~~ ~~however,~~
 8 ~~effective~~ Effective for years after July 1, 1999, and on or before June 30, 2015, the
 9 seventy-thousand dollar limit shall be increased each year in an amount equal to any
 10 increase in the consumer price index (U.S. city average for all urban consumers
 11 (CPI-U)) for the preceding year, if any. Effective on or after July 1, 2015, the sixty-
 12 thousand dollar limit shall be increased each year in an amount equal to any increase
 13 in the consumer price index, (U.S. city average for all urban consumers (CPI-U)) for
 14 the twelve-month period ending on the system's valuation date, if any. Any increase
 15 granted pursuant to the provisions of this ~~Subsection~~ Section shall begin on the July
 16 first following legislative approval, shall be payable annually, and shall ~~equal an~~
 17 ~~amount not to exceed~~ be an amount equal to the lesser of:

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

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

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

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

3 (b) To the extent permitted by Paragraph (3) 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 experience account during the prior year.

6 (3)(a) In no event shall ~~the amount a credit be made to the account that~~
7 would cause the balance in the experience account to exceed the reserve necessary
8 to grant either of the following:

9 (i) Two ~~two~~ permanent benefit increases ~~as provided in~~ determined pursuant
10 to Subsection C of this Section if the system is eighty 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 percent funded.

13 (b) If the system is less than eighty percent funded and has reserves in excess
14 of the amounts provided for in Item (a)(ii) of this Paragraph, it shall not apply credits
15 to the account pursuant to Subparagraph (2)(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 permanent benefit increase
20 to retirees and beneficiaries whenever the conditions in ~~Subsection C~~ of this Section
21 are satisfied and the balance in the experience account is sufficient to fund such
22 benefit fully on an actuarial basis, as determined by the system's actuary. If the
23 legislative auditor's actuary disagrees with the determination of the system's actuary,
24 a permanent benefit increase shall not be granted. The board of trustees shall not
25 grant a permanent benefit increase unless such permanent benefit increase has been
26 approved by the legislature, ~~by concurrent resolution adopted by a favorable vote of~~
27 ~~a majority of the elected members of each house.~~ Any increase granted pursuant to
28 the provisions of this Section shall begin on the July first following legislative

1 approval, shall be payable annually, and shall ~~equal an amount not to exceed~~ be an
2 amount equal to the lesser of:

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

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

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

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

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

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

22 (e) If the system is less than fifty-five percent funded or if the system is less
23 than eighty-five percent funded but more than fifty-five percent funded and the
24 legislature granted a benefit increase in the preceding fiscal year, no increase shall
25 be granted.

26 (3) ~~The~~ Subject to the limitations contained in Subsection F of this Section,
27 the percentage of each recipient's permanent benefit increase shall be based on the
28 benefit being paid to the recipient on the effective date of the increase.

29 * * *

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

1 F.(1) Notwithstanding any other provisions of this Section to the contrary,
 2 any permanent benefit increase granted on or before June 30, 2015, shall be
 3 calculated only on the first seventy thousand dollars of the retiree's annual retirement
 4 benefit. ~~(2) The~~ This seventy-thousand dollar limit ~~provided for in Paragraph (1)~~
 5 ~~of this Subsection~~ shall be increased each year in an amount equal to any increase
 6 in the consumer price index, U.S. city average for all urban consumers (CPI-U) for
 7 the preceding year, if any.

8 (2) Notwithstanding any other provisions of this Section to the contrary, any
 9 permanent benefit increase granted on or after July 1, 2015, shall be calculated only
 10 on the first sixty thousand dollars of the retiree's annual retirement benefit. This
 11 sixty-thousand dollar limit shall be increased each year in an amount equal to any
 12 increase in the consumer price index, U.S. city average for all urban consumers (CPI-
 13 U) for the immediately preceding one-year period ending in June, if any.

14 G.(1) The permanent benefit increase which is authorized by Subsection C
 15 of this Section shall be limited to the lesser of either two percent or an amount as
 16 determined in ~~Paragraph (C)(2)~~ Subsection C of this Section in or for any year in
 17 which the system does not earn an actuarial rate of return of at least eight and one-
 18 quarter percent interest on the investment of the system's assets.

19 * * *

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

- 25 (a) No benefit increase was granted in the preceding fiscal year.
- 26 (b) The experience account balance established in the system valuation for
 27 the preceding fiscal year reached its maximum reserve permitted pursuant to
 28 Paragraph (A)(3) of this Section applicable to the system valuation for that valuation
 29 year.

1 the sixty-thousand dollar limit shall be increased each year in an amount equal to any
2 increase in the consumer price index (U.S. city average for all urban consumers
3 (CPI-U)) for the twelve-month period ending on the system's valuation date, if any.

4 Any cost-of-living adjustment granted pursuant to the provisions of this ~~Subsection~~
5 Section shall begin on July first following legislative approval, shall be payable
6 annually, and shall ~~equal an amount not to exceed~~ be an amount equal to the lesser
7 of:

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

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

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

19 (b) If the system is at least seventy-five percent funded but less than eighty
20 percent funded and the legislature has not granted a benefit increase in the preceding
21 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 or if the system is less
29 than eighty-five percent funded but more than fifty-five percent funded and the

1 legislature granted a benefit increase in the preceding fiscal year, no increase shall
2 be granted.

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

6 * * *

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

13 * * *

14 F.(1) Notwithstanding any provision of this Section to the contrary, in a year
15 in which the experience account balance is insufficient to fund the amount required
16 pursuant to Paragraph (C)(1) of this Section, the board may make the
17 recommendation provided in Paragraph (C)(1) of this Section if all of the following
18 conditions are satisfied:

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

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

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

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

1 ~~Subsection~~ Section shall begin on July first following legislative approval, shall be
2 payable annually, and shall ~~equal an amount not to exceed~~ be an amount equal to the
3 lesser of:

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

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

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

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

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

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

24 (e) If the system is less than fifty-five percent funded or if the system is less
25 than eighty-five percent funded but more than fifty-five percent funded and the
26 legislature granted a benefit increase in the preceding fiscal year, no increase shall
27 be granted.

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

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

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

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

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

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

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

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

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

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

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

13 Section 2.(A) Notwithstanding any provision to the contrary of R.S. 11:542(A)(2)(a),
14 883.1(A)(2)(a), 1145.1(A)(1)(a), or 1332(A)(1)(a), as amended by this Act, for the June 30,
15 2014, valuation, for the purposes of determining excess returns to be credited to the
16 experience account, each system shall exclude only the following sum from its calculation
17 of net investment experience gain:

18 (1) Louisiana State Employees' Retirement System: the first one hundred million
19 dollars of excess investment experience returns.

20 (2) Teachers' Retirement System of Louisiana: the first two hundred million dollars
21 of excess investment experience returns.

22 (3) Louisiana School Employees' Retirement System: the first fifteen million dollars
23 of excess investment experience returns.

24 (4) State Police Retirement System: the first five million dollars of excess investment
25 experience returns.

26 (B) Any restriction in such provisions of law, as amended by this Act, on the total
27 amount of assets authorized to be credited to the account is hereby expressly retained.

28 Section 3. The systems shall each prepare and present to the House and Senate
29 committees on retirement a report on the administrative and actuarial processes that will be

1 applied in the implementation of this Act. The reports shall be submitted to the committees
2 no later than November 14, 2014.

3 Section 4. The provisions of Sections 1, 2, and 3 of this Act shall become effective
4 if and when the Acts which originated as Senate Bill Nos. 16, 18, 19, and 21 of the 2014
5 Regular Session of the Legislature of Louisiana become effective.

6 Section 5. The provisions of this Section and Section 4 of this Act shall become
7 effective on June 30, 2014; if this Act is vetoed by the governor and subsequently approved
8 by the legislature, the provisions of this Section and Section 4 of this Act shall become
9 effective on June 30, 2014, or on the day following such approval by the legislature,
10 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 that year's required amortization payment on outstanding system debt. Proposed law retains present law.

Teachers and State Employees

Both LASERS 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, starting with the June 30, 2015, valuation, indexes these required payments to the percentage increase in the system's actuarial value of assets for the preceding year. Each subsequent 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.

For 2014 only, proposed law lowers the required payments toward the LASERS OAB and EAAB to \$25 million each. Requires excess returns between these thresholds and the 2015 hurdle of \$50 million each to be amortized as an employer credit over 5 years.

For 2014 only, proposed law lowers the required payments toward the TRSL OAB and EAAB to \$50 million each. Requires excess returns between these thresholds and the 2015 hurdle of \$100 million each to be amortized as an employer credit over 5 years.

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. Starting with the June 30, 2015, valuation, requires LSERS to pay the first \$15 million of such excess returns to its oldest debt. Starting July 1, 2015, requires STPOL to pay the first \$5 million of such excess returns to its oldest debt. Further requires that the amount paid each subsequent 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.

For 2014 only, requires LSERS to pay the first \$7.5 million of excess returns to its oldest debt. Further requires that excess returns above this amount and below the 2015 hurdle of \$15 million be amortized as an employer credit over 5 years.

For 2014 only, requires STPOL to pay the first \$2.5 million of excess returns to its oldest debt. Further requires that excess returns above this amount and below the 2015 hurdle of \$5 million be amortized as an employer credit over 5 years.

Amortization and Reamortization of Gains and Losses

Present law for LASERS and TRSL provides for reamortization of remaining debt after application of excess funds to the OAB or the EAAB of the 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 unless a system is 85% funded or greater.

Proposed law for LSERS and STPOL provides that debts shall not be reamortized after application of payments pursuant to proposed law unless the system is 85% funded or greater.

Present law for all four state systems provides that gains and losses shall be amortized as level dollar payments over a period of 30 years. Proposed law provides that once a system attains 85% funded, all future gains and losses, irrespective of the system's funded percentage, shall be amortized over a period of 20 years.

Proposed law further requires that for the June 30, 2014 valuation only, all gains not applied directly to debt or credited to the experience account shall be amortized over a period of five years.

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 amortized as a credit towards the employer contribution rate.

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 starting with the June 30, 2019, valuation.

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 80% funded or better. If a system is less than 80% 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 cap. Further provides that if a system dips below 80% 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 80% funded or greater, 3%.
- (b) If the system is at least 75% funded but less than 80% 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.

If 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.

Reports and Studies

Proposed law requires each state retirement system to submit a report to the House and Senate Committees on Retirement detailing the administrative and actuarial procedures that will be used to implement the Act. Requires the policy to be submitted no later than Nov. 14, 2014.

Proposed law requires the retirement systems and legislative staff to study the future volatility in then-existing amortization bases at the close of 2018-2019 fiscal year and to report findings to the Public Retirement Systems' Actuarial Committee.

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. 11:102.3, 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.

House Floor Amendments to the engrossed bill.

1. Delays for five years implementation of the 10-year amortization period for gains allocated to the experience account.
2. Removes provision applying amounts not credited to the experience account to the oldest outstanding debt of the system.
3. For the first year of implementation, amortizes all gains not applied to debt or the experience account over a period of 5 years.
4. For the first year of implementation, reduces the debt payment hurdles in proposed law by 50%.
5. Adds provision authorizing reamortization after application of debt payments once a system is at least 85% funded.
6. Adds provision reducing the amortization period for all gains and losses from 30 years to 20 years once a system first attains a funded percentage of 85.
7. Removes requirement that the four systems submit a joint report detailing system procedure and policy that will be used to implement the Act.
8. Adds provision requiring the systems to submit individual reports detailing administrative and actuarial processes utilized in implementation of the Act.

9. Adds provision requiring system and legislative staff to study the future volatility of existing amortization schedules at the close of the 2018-2019 fiscal year and report findings to the Public Retirement System's Actuarial Committee.
10. Lowers the funding threshold above which a system may credit funding for two COLAs to the experience account from 85% to 80%.
11. Lowers the funding threshold above which a system may grant a full 3% COLA without restriction from 85% to 80%.