
DIGEST

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HB 21 Original

2019 Regular Session

Pearson

Abstract: Changes actuarial funding method for the Firefighters' Retirement System (FRS) to frozen initial liability and reestablishes amortization periods for unfunded accrued liability (UAL).

Actuarial Funding Methods

Present law requires state and statewide public retirement systems to utilize certain funding methods to determine their actuarially required contributions.

Present law further provides that FRS utilize the entry age normal funding method for determining their actuarially required contributions.

Proposed law changes the FRS actuarial funding method from entry age normal to frozen initial liability.

Amortization Period

Present law provides for a 30 year amortization of the UAL, commencing with Fiscal Year 1989-1990, with level dollar payments annually.

Proposed law provides that the outstanding balance of the system's UAL, except unamortized merger bases, will be frozen and re-amortized over 15 years with payments decreasing by 1% per year; and future gains and losses are included in the calculation of the normal cost through the frozen initial liability funding method.

Proposed law defines accrued liability to mean the entry age normal accrued liability.

Present law provides for the creation of amortization schedules for actuarial gains and losses of statewide retirement systems. Provides that most statewide systems use 15-year amortization schedules for actuarial gains and losses.

Present law provides an exception for FRS, which is authorized to use 20-year amortization schedules for such gains and losses. However, present law provides for an annual reduction of such term until the 15-year amortization schedule is reached. Proposed law repeals present law.

Effective July 1, 2019.

(Reenacts R.S. 11:22(B)(4), 42(B)(3), and 103(B)(3)(e)(i); Adds R.S. 11:2252(24))