

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) and 102.2(B)(5) and (C)(6),
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. 11:102.1(B)(6) and (C)(6) and 102.2(B)(5) and (C)(6) are hereby enacted
20 to read as follows:

§102. Employer contributions; determination; state systems

* * *

B.

* * *

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

* * *

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

* * *

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

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

1 base established in R.S. 11:102.1 and for each valuation thereafter, after any
2 remaining payment required pursuant to R.S. 11:102.1, if the system's investment
3 experience for the fiscal year exceeds the system's actuarial assumed rate of return,
4 the system shall apply to the oldest outstanding positive amortization base of the
5 system, without reamortization of such base, the system's remaining excess
6 investment experience returns. For the first valuation to which this Subsubitem
7 applies the amount of excess returns to be applied pursuant to the provisions of this
8 Subsubitem shall be the excess returns up to the amount of excess investment
9 experience returns as equals the last payment made on the liquidated base. Upon
10 complete liquidation of such amortization base, any remaining funds shall be applied
11 to the next oldest outstanding positive amortization base, without reamortization of
12 any such base, until no further funds remain or all such bases are completely
13 liquidated. Notwithstanding any provision of this Subitem to the contrary, the
14 maximum amount of excess returns to be applied in any subsequent year pursuant
15 to this Subsubitem shall equal the prior year's maximum amount increased by the
16 percentage increase in the system's actuarial value of assets for the preceding year,
17 if any. For the purposes of this Subsubitem, the oldest outstanding positive
18 amortization base shall first mean the Original Amortization Base until it is
19 completely liquidated, then the Experience Account Amortization Base until it is
20 completely liquidated, and then the oldest outstanding debt of the system.

21 (II) Effective for the June thirtieth valuation for the fiscal year immediately
22 following the year in which the system fully liquidates the last remaining
23 amortization base established in R.S. 11:102.1 and for each valuation thereafter, if
24 the system's investment experience for the fiscal year exceeds the system's actuarial
25 assumed rate of return, the system shall apply to the oldest outstanding positive
26 amortization base of the system, without reamortization of such base, the system's
27 excess investment experience returns. For the first valuation to which this
28 Subsubitem applies, the amount of excess returns to be applied pursuant to the
29 provisions of this Subsubitem shall be the excess returns up to the amount of excess

1 investment experience returns as equals the last payment made on the most recently
2 liquidated base pursuant to R.S. 11:102.1 plus the last payment made pursuant to
3 Subsubitem (I) of this Subitem. Upon complete liquidation of such amortization
4 base, any remaining funds shall be applied to the next oldest outstanding positive
5 amortization base, without reamortization of any such base, until no further funds
6 remain or all such bases are completely liquidated. Notwithstanding any provision
7 of this Subitem to the contrary, the maximum amount of excess returns to be applied
8 in any subsequent year pursuant to this Subsubitem shall equal the prior year's
9 maximum amount increased by the percentage increase in the system's actuarial
10 value of assets for the preceding year, if any.

11 (cc) Effective for the June thirtieth valuation for the fiscal year immediately
12 following the year in which the system fully liquidates the last outstanding
13 amortization base established in R.S. 11:102.1 and for each valuation thereafter, the
14 system shall apply to the oldest outstanding positive amortization base of the system,
15 without reamortization of such base, any amounts that are not credited to the
16 experience account due to the limits contained in R.S. 11:542(A). Upon complete
17 liquidation of such amortization base, any remaining funds shall be applied to the
18 next oldest such outstanding positive amortization base, without reamortization of
19 any such base, until no further funds remain or all such bases are completely
20 liquidated.

21 (vi)(aa) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001,
22 the amortization period for the changes, gains, or losses of the Louisiana School
23 Employees' Retirement System provided in Items (i) through (iv) of this
24 Subparagraph shall be thirty years, or in accordance with standards promulgated by
25 the Governmental Accounting Standards Board, from the year in which the change,
26 gain, or loss occurred. The outstanding balances of amortization bases established
27 pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year 2000-
28 2001, shall be amortized as a level dollar amount from July 1, 2004, through June 30,
29 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the

1 outstanding balances of amortization bases established pursuant to Items (i) through
2 (iv) of this Subparagraph shall be amortized as a level dollar amount.

3 (bb) Effective for the June 30, 2014, valuation and for each valuation
4 thereafter, if the system's investment experience for the fiscal year exceeds the
5 system's actuarial assumed rate of return, the system shall apply the excess
6 investment experience returns, up to the first fifteen million dollars for the June 30,
7 2014, valuation, to the oldest outstanding positive amortization base of the system,
8 without reamortization of such base. Upon complete liquidation of such
9 amortization base, any remaining funds shall be applied to the next oldest
10 outstanding positive amortization base, without reamortization of any such base,
11 until no further funds remain or all such bases are completely liquidated.
12 Notwithstanding any provision of this Subitem to the contrary, the maximum amount
13 of excess returns to be applied in any subsequent year pursuant to this Subitem shall
14 equal the prior year's maximum amount increased by the percentage increase in the
15 system's actuarial value of assets for the preceding year, if any.

16 (cc) Effective for the June 30, 2014, valuation and for each valuation
17 thereafter, any amounts that are not credited to the experience account due to the
18 limits contained in R.S. 11:1145.1(A) shall be applied to the oldest outstanding
19 positive amortization base of the system, without reamortization of such base. Upon
20 complete liquidation of such amortization base, any remaining funds shall be applied
21 to the next oldest outstanding positive amortization base, without reamortization of
22 any such base, until no further funds remain or all such bases are completely
23 liquidated.

24 (vii)(aa) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001,
25 the amortization period for the changes, gains, or losses of the Teachers' Retirement
26 System of Louisiana provided in Items (i) through (iv) of this Subparagraph shall be
27 thirty years, or in accordance with standards promulgated by the Governmental
28 Accounting Standards Board, from the year in which the change, gain, or loss
29 occurred. The outstanding balances of amortization bases established pursuant to

1 Items (i) through (iv) of this Subparagraph before Fiscal Year 2000-2001, shall be
2 amortized as a level dollar amount from July 1, 2004, through June 30, 2029.
3 Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the
4 outstanding balances of amortization bases established pursuant to Items (i) through
5 (iv) of this Subparagraph shall be amortized as a level dollar amount. For the
6 Teachers' Retirement System of Louisiana, effective for the June 30, 2011, system
7 valuation and beginning with Fiscal Year 2012-2013, amortization payments for
8 changes in actuarial liability shall be determined in accordance with Subsection D
9 of this Section.

10 (bb)(I) Effective for the June thirtieth valuation for the fiscal year
11 immediately following the year in which the system fully liquidates an amortization
12 base established in R.S. 11:102.2 and for each valuation thereafter, after any
13 remaining payment required pursuant to R.S. 11:102.2, if the system's investment
14 experience for the fiscal year exceeds the system's actuarial assumed rate of return,
15 the system shall apply to the oldest outstanding positive amortization base of the
16 system, without reamortization of such base, the system's remaining excess
17 investment experience returns. For the first valuation to which this Subsubitem
18 applies the amount of excess returns to be applied pursuant to the provisions of this
19 Subsubitem shall be the excess returns up to the amount of excess investment
20 experience returns as equals the last payment made on the liquidated base. Upon
21 complete liquidation of such amortization base, any remaining funds shall be applied
22 to the next oldest outstanding positive amortization base, without reamortization of
23 any such base, until no further funds remain or all such bases are completely
24 liquidated. Notwithstanding any provision of this Subitem to the contrary, the
25 maximum amount of excess returns to be applied in any subsequent year pursuant
26 to this Subsubitem 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. For the purposes of this Subitem, the oldest outstanding positive amortization
29 base shall first mean the Original Amortization Base until it is completely liquidated,

1 then the Experience Account Amortization Base until it is completely liquidated, and
2 then the oldest outstanding debt of the system.

3 (II) Effective for the June thirtieth valuation for the fiscal year immediately
4 following the year in which the system fully liquidates the last remaining
5 amortization base established in R.S. 11:102.2 and for each valuation thereafter, if
6 the system's investment experience for the fiscal year exceeds the system's actuarial
7 assumed rate of return, the system shall apply to the oldest outstanding positive
8 amortization base of the system, without reamortization of such base, the system's
9 excess investment experience returns. For the first valuation to which this
10 Subsubitem applies, the amount of excess returns to be applied pursuant to the
11 provisions of this Subsubitem shall be the excess returns up to the amount of excess
12 investment experience returns as equals the last payment made on the most recently
13 liquidated base pursuant to R.S. 11:102.2 plus the last payment made pursuant to
14 Subsubitem (I) of this Subitem. Upon complete liquidation of such amortization
15 base, any remaining funds shall be applied to the next oldest outstanding positive
16 amortization base, without reamortization of any such base, until no further funds
17 remain or all such bases are completely liquidated. Notwithstanding any provision
18 of this Subitem to the contrary, the maximum amount of excess returns to be applied
19 in any subsequent year pursuant to this Subsubitem shall equal the prior year's
20 maximum amount increased by the percentage increase in the system's actuarial
21 value of assets for the preceding year, if any.

22 (cc) Effective for the June thirtieth valuation for the fiscal year immediately
23 following the year in which the system fully liquidates the last outstanding
24 amortization base established in R.S. 11:102.2 and for each valuation thereafter, the
25 system shall apply to the oldest outstanding positive amortization base of the system,
26 without reamortization of such base, any amounts that are not credited to the
27 experience account due to the limits contained in R.S. 11:883.1(A). Upon complete
28 liquidation of such amortization base, any remaining funds shall be applied to the
29 next oldest such outstanding positive amortization base, without reamortization of

1 ~~any such base, until no further funds remain or all such bases are completely~~
2 ~~liquidated.~~

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

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

6 * * *

7 §102.1. Consolidation of amortization payment schedules; Louisiana State
8 Employees' Retirement System

9 * * *

10 B. Original amortization base.

11 * * *

$$12 \quad (3)$$

13 * * *

(b) The first payment after this consolidation shall be made in Fiscal Year 2010-2011 and the final 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 fifty million dollars of~~ excess returns, up to the first fifty million
19 for the June 30, 2014, valuation, shall be applied to the remaining balance of the
20 original amortization base established in this Subsection. The maximum amount of
21 excess returns to be applied in any subsequent year pursuant to the provisions of this
22 Subparagraph shall equal the prior year's maximum amount increased by the
23 percentage increase in the system's actuarial value of assets for the preceding year,
24 if any.

(b) After such application, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law. Notwithstanding any provision of this Subparagraph to the contrary, beginning with the June 30, 2014, valuation and 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) Notwithstanding the provisions of R.S. 11:102(B)(3)(c) and (5) or any
4 other provision of law to the contrary, in any year through Fiscal Year 2016-2017 in
5 which the system receives an overpayment of employer contributions as determined
6 pursuant to R.S. 11:102(B)(2) and in any year through Fiscal Year 2016-2017 in
7 which the system receives additional contributions pursuant to R.S. 11:102(B)(5),
8 the amount of such overpayment or additional contribution shall be applied to the
9 remaining balance of the original amortization base established pursuant to this
10 Subsection. 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 Paragraph 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 this
16 Paragraph.

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

22 C. Experience account amortization base.

23 * * *

24 (4)(a) In any year in which the excess returns of the system exceed the
25 amount ~~in Paragraph~~ applied to the Original Amortization Base pursuant to
26 Subparagraph (B)(4)(a) of this Section, the remaining excess returns, up to the next
27 fifty million dollars for the June 30, 2014, valuation, of excess returns shall be
28 applied to the experience account amortization base established in this Subsection.
29 The maximum amount of excess returns to be applied in any subsequent year

1 pursuant to the provisions of this Subparagraph shall equal the prior year's maximum
2 amount increased by the percentage increase in the system's actuarial value of assets
3 for the preceding year, if any.

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

11 (5) Notwithstanding the provisions of R.S. 11:102(B)(3)(c) and (5) or any
12 other provision of law to the contrary, in any year from Fiscal Year 2017-2018
13 through Fiscal Year 2039-2040 in which the system receives an overpayment of
14 employer contributions as determined pursuant to R.S. 11:102(B)(2) and in any year
15 from Fiscal Year 2017-2018 through Fiscal Year 2039-2040 in which the system
16 receives additional contributions pursuant to R.S. 11:102(B)(5), the amount of such
17 overpayment or additional contribution shall be applied to the remaining balance of
18 the experience account amortization base established pursuant to this Subsection.
19 After such application, the net remaining liability shall be reamortized over the
20 remaining amortization period with annual payments calculated as provided in this
21 Subsection or as otherwise provided by law. Notwithstanding any provision of this
22 Paragraph 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 this
25 Paragraph.

26 (6) Effective for the valuation for the year in which the amortization base
27 established pursuant to Subsection B of this Section is completely liquidated and for
28 each valuation thereafter, to the Experience Account Amortization Base shall be

applied any amounts that are not credited to the experience account due to the limits contained in R.S. 11:542(A), without reamortization of such base.

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

* * *

B. Original amortization base.

* * *

(3)

* * *

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

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

(b) After such application, the net remaining liability shall be reamortized over the remaining amortization period with annual payments as provided in this Subsection or as otherwise provided by law. Notwithstanding any provision of this Subparagraph to the contrary, beginning with the June 30, 3014, valuation and continuing with each valuation thereafter, the net remaining liability shall not be reamortized after application of the funds applied pursuant to the provisions of Subparagraph (a) of this Paragraph.

(5) Effective for the June 30, 2014, valuation and for each valuation thereafter until the base established pursuant to the provisions of this Subsection is completely liquidated, to such base shall be applied any amounts that are not credited

1 to the experience account due to the limits contained in R.S. 11:883.1(A), without
2 reamortization of such base.

3 C. Experience account amortization base.

4 * * *

5 (4)(a) In any year in which the excess returns of the system exceed the
6 amount ~~in Paragraph~~ applied to the Original Amortization Base pursuant to
7 Subparagraph (B)(4)(a) of this Section, the remaining excess returns, up to the next
8 one hundred million dollars for the June 30, 2014, valuation, of excess returns shall
9 be applied to the experience account amortization base established in this Subsection.
10 The maximum amount of excess returns to be applied in any subsequent year
11 pursuant to the provisions of this Subparagraph 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.

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

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

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

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

12 * * *

13 §542. Experience account

14 A.

15 * * *

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

17 (a) To the extent permitted by Paragraph (3) of this Subsection and after
 18 allocation to the ~~consolidated~~ amortization bases as provided in ~~R.S. 11:102.1~~ R.S.
 19 11:102(B)(3)(d)(v)(bb) and 102.1, as applicable, an amount not to exceed fifty
 20 percent of the remaining balance of the prior year's net investment experience gain
 21 as determined by the system's actuary.

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

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

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

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

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

* * *

C.(1) In accordance with the provisions of this Section, the board of trustees may recommend to the president of the Senate and the speaker of the House of Representatives that the ~~system be permitted to~~ legislature grant a permanent benefit increase to retirees, survivors, and beneficiaries whenever the conditions in ~~Subsection F of this Section~~ are satisfied and the balance in the experience account is sufficient to fund such benefit fully on an actuarial basis, as determined by the system's actuary. If the legislative auditor's actuary disagrees with the determination of the system's actuary, a permanent benefit increase shall not be granted. ~~The board of trustees shall not grant a permanent benefit increase unless such permanent benefit increase has been approved by the legislature by concurrent resolution adopted by the favorable vote of a majority of the elected members of each house.~~ Any such permanent benefit increase granted on or before June 30, 2015, shall be limited to and shall only be payable based on an amount not to exceed seventy thousand dollars of the retiree's annual benefit. Any such permanent benefit increase granted on or after July 1, 2015, shall be limited to and shall only be payable based on an amount not to exceed sixty thousand dollars of the retiree's annual benefit. ~~;~~ however, ~~effective~~ Effective for years after July 1, 1999, and on or before June 30, 2015, the seventy-thousand dollar limit shall be increased each year in an amount equal to any increase in the consumer price index (U.S. city average for all urban consumers (CPI-U)) for the preceding year, if any. Effective on or after July 1, 2015, the sixty-thousand dollar limit shall be increased each year in an amount equal to any increase in the consumer price index, (U.S. city average for all urban consumers (CPI-U)) for the twelve month period ending on the system's valuation date, if any. Any increase

1 granted pursuant to the provisions of this ~~Subsection~~ Section shall begin on the July
2 first following legislative approval, shall be payable annually, and shall equal an
3 amount not to exceed the 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, U.S. city average for
7 all urban consumers (CPI-U), as prepared by the U.S. Department of Labor, Bureau
8 of Labor Statistics, for the twelve month period ending on the system's valuation date
9 calendar year immediately preceding the permanent benefit increase is less than three
10 percent, then the permanent benefit increase shall be a sum equal to the CPI-U
11 increase for that prior calendar year, if any. If the balance in the experience account
12 is not sufficient to fund that sum, no increase shall be granted.

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

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

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

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

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

25 (3) ~~The~~ Subject to the limitations contained in Paragraph (1) of this
26 Subsection, the percentage of each recipient's permanent benefit increase shall be
27 based on the benefit being paid to the recipient on the effective date of the increase.

28 * * *

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

6 * * *

7 §883.1. Experience account

8 A.

9 * * *

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

11 (a) To the extent permitted by Paragraph (3) of this Subsection and after
12 allocation to the ~~consolidated~~ amortization bases as provided in ~~R.S. 11:102.2~~ R.S.
13 11:102(B)(3)(d)(vii)(bb) and 102.2, as applicable, an amount not to exceed fifty
14 percent of the remaining balance of the prior year's net investment experience gain
15 as determined by the system's actuary.

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

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

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

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

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

29 * * *

1 C.(1) In accordance with the provisions of this Section, the board of trustees
2 may recommend to the president of the Senate and the speaker of the House of
3 Representatives that the ~~system be permitted to~~ legislature grant a permanent benefit
4 increase to retirees and beneficiaries whenever the conditions in ~~Subsection G~~ of this
5 Section are satisfied and the balance in the experience account is sufficient to fund
6 such benefit fully on an actuarial basis, as determined by the system's actuary. If the
7 legislative auditor's actuary disagrees with the determination of the system's actuary,
8 a permanent benefit increase shall not be granted. ~~The board of trustees shall not~~
9 ~~grant a permanent benefit increase unless such permanent benefit increase has been~~
10 ~~approved by the legislature by concurrent resolution adopted by a favorable vote of~~
11 ~~a majority of the elected members of each house.~~ Any increase granted pursuant to
12 the provisions of this Section shall begin on the July first following legislative
13 approval, shall be payable annually, and shall equal an amount not to exceed the
14 lesser of:

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

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

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

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

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

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

(e) If the system is less than fifty-five percent funded or if the legislature has granted a benefit increase in the preceding fiscal year, no increase shall be granted.

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

* * *

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

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

G.(1) The permanent benefit increase which is authorized by Subsection C of this Section shall be limited to the lesser of either two percent or an amount as determined in Paragraph (C)(2) Subparagraph (C)(1)(b) of this Section in or for any

1 year in which the system does not earn an actuarial rate of return of at least eight and
2 one-quarter percent interest on the investment of the system's assets.

3 * * *

4 §1145.1. Employee Experience Account

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

6 (a) To the extent permitted by Paragraph (2) of this Subsection and after
7 allocation as provided in R.S. 11:102(B)(3)(d)(vi)(bb), an amount not to exceed fifty
8 percent of the prior year's net investment experience gain as determined by the
9 system's actuary.

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

13 (2)(a) In no event shall ~~the amount~~ a credit be made to the account that
14 would cause the balance in the Employee Experience Account to exceed the reserve
15 necessary to grant:

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

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

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

23 * * *

24 C.(1) In accordance with the provisions of this Section, the board of trustees
25 may recommend to the president of the Senate and the speaker of the House of
26 Representatives that the ~~system be permitted to~~ legislature grant a cost-of-living
27 adjustment to retirees and beneficiaries whenever the conditions in this Section are
28 satisfied and the balance in the Employee Experience Account is sufficient to fully
29 fund such benefit on an actuarial basis, as determined by the system's actuary. If the

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

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

24 ~~(b)(2) If the~~ The increase in the Consumer Price Index (United States city
25 average for all urban consumers (CPI-U)), as prepared by the United States
26 Department of Labor, Bureau of Labor Statistics, for the twelve month period ending
27 on the system's valuation date ~~calendar year immediately preceding the cost-of-living~~
28 ~~adjustment is less than three percent, then the cost-of-living adjustment shall be a~~
29 ~~sum equal to the CPI-U increase for that prior calendar year, if any.~~

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

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

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

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

11 (e) If the system is less than fifty-five percent funded or if the legislature has
12 granted a benefit increase in the preceding fiscal year, no increase shall be granted.

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

16 * * *

17 D. The cost-of-living increase which is authorized by Subsection C of this
18 Section shall be limited to the lesser of either two percent or an amount determined
19 as provided in ~~Paragraph (C)(2)~~ Subparagraph (C)(1)(b) of this Section in or for any
20 year in which the system does not earn the required actuarial rate of return as
21 certified by the system's actuary.

22 * * *

23 §1332. Employee Experience Account

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

25 (a) To the extent permitted by Paragraph (2) of this Subsection and after the
26 allocation as provided in R.S. 11:102(B)(3)(d)(viii)(bb), an amount not to exceed
27 fifty percent of the prior year's net investment experience gain as determined by the
28 system's actuary.

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

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

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

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

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

* * *

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

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

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

15 ~~(b)(2) If the~~ The increase in the ~~Consumer Price Index~~ consumer price index
16 (United States city average for all urban consumers (CPI-U)), as prepared by the
17 United States Department of Labor, Bureau of Labor Statistics, for the twelve month
18 period ending on the system's valuation date ~~calendar year immediately preceding~~
19 ~~the cost-of-living adjustment is less than three percent, then the cost-of-living~~
20 ~~adjustment shall be a sum equal to the CPI-U increase for that prior calendar year,~~
21 if any.

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

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

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

(d) If the system is at least fifty-five percent funded but less than sixty-five

percent funded and the legislature has not granted a benefit increase in the preceding

fiscal year, one and one-half percent.

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

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

9 * * *

D. The cost-of-living increase which is authorized by Subsection C of this Section shall be limited to the lesser of either two percent or an amount determined as provided in ~~Paragraph (C)(2)~~ Subparagraph (C)(1)(b) of this Section in or for any year in which the system does not earn the required actuarial rate of return as certified by the system's actuary.

15 * * *

F. In addition to the cost-of-living adjustment authorized by Subsection C of this Section, the board of trustees may ~~grant~~ recommend to the legislature that a supplemental cost-of-living adjustment be granted to all retirees and beneficiaries who are at least age sixty-five, which shall consist of an amount equal to two percent of the benefit being received on the date of the adjustment. In order to grant such supplemental cost-of-living adjustment, the board of trustees shall recommend to the president of the Senate and the speaker of the House of Representatives that the ~~system be permitted to~~ legislature grant such supplemental cost-of-living adjustment to retirees and beneficiaries whenever the balance in the Employee Experience Account is sufficient to fully fund such benefit on an actuarial basis, as determined by the system's actuary. If the legislative actuary disagrees with the determination of the system's actuary, such supplemental cost-of-living adjustment shall not be granted. ~~The board of trustees shall not grant such supplemental cost-of-living adjustment as provided in this Subsection unless such supplemental cost-of-living~~

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

20 Section 2. In order to assure uniform implementation of the provisions of this Act,
21 the systems shall prepare and present to the Louisiana Legislative Auditor a written policy
22 explaining in detail each aspect of system procedure that will be applied in the
23 implementation of this Act. The policy shall be submitted to the auditor no later than
24 September 2, 2014. After the auditor has reviewed the policy, the Public Retirement
25 Systems' Actuarial Committee shall meet to review and consider approval of the policy. The
26 chair of the committee shall convene a meeting for this review and consideration before
27 December 31, 2014. Approval of the policy shall require a unanimous vote of all committee
28 members.

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

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 (Louisiana State Employees' Retirement System (LASERS); Teachers' Retirement System of Louisiana (TRSL); Louisiana 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 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 based called the Original Amortization Base (OAB) and the debts of the system 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.

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.

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.

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 the experience account is credited with interest attributable to the amount in the account during the prior year. Further 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 and 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 retains present law.

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.

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. Proposed law provides that the legislature grant the increase.

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 in 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.

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

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