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

AN ACT

To amend and reenact 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) and to enact R.S. 11:102.1(B)(6) and (C)(6), 102.2(B)(5) and (C)(6), 542(G), 883.1(H), 1145.1(F), and 1332(G), relative to the liabilities of the state retirement systems; to provide for payment of such liabilities; to limit creation of certain additional liabilities through benefit increases; to provide relative to authorization of such benefit increases; to provide for an effective date; and to provide for related matters.

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

Be it enacted by the Legislature of Louisiana:

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

§102. Employer contributions; determination; state systems

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B.

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(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)<u>(aa)</u> 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 base established in R.S. 11:102.1 and for each valuation thereafter, after any remaining payment required pursuant to R.S. 11:102.1, the system shall apply to the oldest outstanding positive amortization base of the system, without reamortization of such base, the system's remaining excess investment experience returns. For the first valuation to which this Subsubitem applies the amount of excess returns to be applied pursuant to the provisions of this Subsubitem shall be the excess returns up to the amount of excess investment experience returns as equals that year's remaining payment pursuant to R.S. 11:102.1. Upon complete liquidation of such amortization base, any remaining funds shall be applied to the next oldest outstanding positive amortization base, without reamortization of any such base, until no further funds remain or all such bases are completely liquidated. Notwithstanding any provision of this Subitem to the contrary, the maximum amount of excess returns to be applied in any subsequent year pursuant to this Subsubitem 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. For the purposes of this Subsubitem, the oldest outstanding positive amortization base shall first mean the Original Amortization Base until it is completely liquidated, then the Experience Account Amortization Base until it is completely liquidated, and then the oldest outstanding debt of the system excluding any amortization base established to amortize a particularized liability established pursuant to Subsection C of this Section or a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection.

(II) Effective for the June thirtieth valuation for the fiscal year immediately following the year in which the system fully liquidates the last remaining amortization base established in R.S. 11:102.1 and for each valuation thereafter, if the system's investment experience for the fiscal year exceeds the system's actuarial assumed rate of return, the system shall apply to the oldest outstanding positive amortization base of the system, excluding any amortization base established to amortize a particularized liability established pursuant to Subsection C of this Section or a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection, and without reamortization of such base, the system's excess investment experience returns. For the first valuation to which this Subsubitem applies, the amount of excess returns to be applied pursuant to the provisions of this Subsubitem shall be the excess returns up to the amount of excess investment experience returns as equals double the last payment made pursuant to Subsubitem (I) of this Subitem. Upon complete liquidation of such amortization base, any remaining funds shall be applied to the next oldest outstanding positive amortization base, without reamortization of any such base, until no further funds remain or all such bases are completely liquidated. Notwithstanding any provision of this Subitem to the contrary, the maximum amount of excess returns to be applied in any subsequent year pursuant to this Subsubitem 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.

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

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

(vi)(aa) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the amortization period for the changes, gains, or losses of the Louisiana School 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 2000-2001, 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.

(bb) Effective for the June 30, 2014, valuation and for each valuation thereafter, if the system's investment experience for the fiscal year exceeds the system's actuarial assumed rate of return, the system shall apply the excess investment experience returns, up to the first fifteen million dollars for the June 30, 2014, valuation, to the oldest outstanding positive amortization base of the system, excluding any amortization base established to amortize a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection, and without reamortization of such base. Upon complete liquidation of such amortization base, any remaining funds shall be applied to the next oldest outstanding positive amortization base, without reamortization of any such base, until no further funds remain or all such bases are completely liquidated. Notwithstanding any provision of this Subitem to the contrary, the maximum amount of excess returns to be applied in any subsequent year pursuant to this Subitem 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.

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

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

(vii)<u>(aa)</u> Effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the amortization period for the changes, gains, or losses of the Teachers' Retirement System of Louisiana 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 2000-2001, 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 Teachers' Retirement System of Louisiana, effective for the June 30, 2011, system valuation and beginning with Fiscal Year 2012-2013, amortization payments for changes in actuarial liability shall be determined in accordance with Subsection D of this Section.

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

base established in R.S. 11:102.2 and for each valuation thereafter, after any remaining payment required pursuant to R.S. 11:102.2, the system shall apply to the oldest outstanding positive amortization base of the system, without reamortization of such base, the system's remaining excess investment experience returns. For the first valuation to which this Subsubitem applies the amount of excess returns to be applied pursuant to the provisions of this Subsubitem shall be the excess returns up to the amount of excess investment experience returns as equals that year's remaining payment pursuant to R.S. 11:102.2. Upon complete liquidation of such amortization base, any remaining funds shall be applied to the next oldest outstanding positive amortization base, without reamortization of any such base, until no further funds remain or all such bases are completely liquidated. Notwithstanding any provision of this Subitem to the contrary, the maximum amount of excess returns to be applied in any subsequent year pursuant to this Subsubitem 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. For the purposes of this Subitem, the oldest outstanding positive amortization base shall first mean the Original Amortization Base until it is completely liquidated, then the Experience Account Amortization Base until it is completely liquidated, and then the oldest outstanding debt of the system excluding any amortization base established to amortize a particularized liability established pursuant to Subsection D of this Section or a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection.

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

Subsection, and without reamortization of such base, the system's excess investment experience returns. For the first valuation to which this Subsubitem applies, the amount of excess returns to be applied pursuant to the provisions of this Subsubitem shall be the excess returns up to the amount of excess investment experience returns as equals double the last payment made pursuant to Subsubitem (I) of this Subitem. Upon complete liquidation of such amortization base, any remaining funds shall be applied to the next oldest outstanding positive amortization base, without reamortization of any such base, until no further funds remain or all such bases are completely liquidated. Notwithstanding any provision of this Subitem to the contrary, the maximum amount of excess returns to be applied in any subsequent year pursuant to this Subsubitem 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.

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

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

(viii)<u>(aa)</u> Effective July 1, 2009, and beginning with Fiscal Year 1992-1993, the amortization period for the changes, gains, or losses of the Louisiana State Police 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 2008-2009, shall be amortized as a level dollar amount from July 1, 2009, through June 30, 2029. Beginning with Fiscal Year 2008-2009, 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.

<u>(bb) Effective for the June 30, 2014, valuation and for each valuation thereafter, if the system's investment experience for the fiscal year exceeds the system's actuarial assumed rate of return, the system shall apply the excess investment experience returns, up to the first five million dollars for the June 30, 2014, valuation, to the oldest outstanding positive amortization base of the system, excluding any amortization base established to amortize a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection, and without reamortization of such base. Upon complete liquidation of such amortization base, any remaining funds shall be applied to the next oldest outstanding positive amortization base, without reamortization of any such base, until no further funds remain or all such bases are completely liquidated. Notwithstanding any provision of this Subitem to the contrary, the maximum amount of excess returns to be applied in any subsequent year pursuant to this Subsubitem 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.</u>

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

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

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

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

* * *

B. Original amortization base.

* * *

(3)

* * *

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

(4)<u>(a)</u> In any year in which the system exceeds its actuarially-assumed rate of return, the ~~first fifty million dollars of~~ excess returns<u>, up to the first fifty million for the June 30, 2014, valuation,</u> shall be applied to the remaining balance of the original amortization base established in this Subsection. <u>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.</u>

<u>(b)</u> 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. <u>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 reamortized after application of the funds applied pursuant to the provisions of Subparagraph (a) of this Paragraph.</u>

(5) Notwithstanding the provisions of R.S. 11:102(B)(3)(c) and (5) or any other provision of law to the contrary, in any year through Fiscal Year 2016-2017 in which the system receives an overpayment of employer contributions as determined pursuant to R.S. 11:102(B)(2) and in any year through Fiscal Year 2016-2017 in which the system receives additional contributions pursuant to R.S. 11:102(B)(5), the amount of such overpayment or additional contribution shall be applied to the remaining balance of the original amortization base established pursuant to this Subsection. 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. <u>Notwithstanding any provision of this Paragraph to the contrary, beginning with the June 30, 2014, 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 this Paragraph.</u>

<u>(6) 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 to the experience account due to the limits contained in R.S. 11:542(A), without reamortization of such base.</u>

C. Experience account amortization base.

* * *

(4)(a) In any year in which the excess returns of the system exceed the amount ~~in Paragraph~~ applied to the Original Amortization Base pursuant to Subparagraph (B)(4)(a) of this Section, the remaining excess returns, up to the next fifty million dollars for the June 30, 2014, valuation, ~~of excess returns~~ shall be applied to the experience account 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 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 reamortized after application of the funds applied pursuant to the provisions of Subparagraph (a) of this Paragraph.

(5) Notwithstanding the provisions of R.S. 11:102(B)(3)(c) and (5) or any other provision of law to the contrary, in any year from Fiscal Year 2017-2018 through Fiscal Year 2039-2040 in which the system receives an overpayment of employer contributions as determined pursuant to R.S. 11:102(B)(2) and in any year from Fiscal Year 2017-2018 through Fiscal Year 2039-2040 in which the system receives additional contributions pursuant to R.S. 11:102(B)(5), the amount of such overpayment or additional contribution shall be applied to the remaining balance of the experience account amortization base established pursuant to this Subsection. 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 Paragraph to the contrary, beginning with the June 30, 2014, 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 this Paragraph.

(6) Effective for the valuation for the year in which the amortization base established pursuant to Subsection B of this Section is completely liquidated and for 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, 2014, 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 to the experience account due to the limits contained in R.S. 11:883.1(A), without reamortization of such base.

C. Experience account amortization base.

* * *

(4)(a) In any year in which the excess returns of the system exceed the amount ~~in Paragraph~~ applied to the Original Amortization Base pursuant to Subparagraph (B)(4)(a) of this Section, the remaining excess returns, up to the next one hundred million dollars for the June 30, 2014, valuation, ~~of excess returns~~ shall be applied to the experience account 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 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 reamortized after application of the funds applied pursuant to the provisions of Subparagraph (a) of this Paragraph.

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

from Fiscal Year 2009-2010 through Fiscal Year 2039-2040 in which the system receives additional contributions pursuant to R.S. 11:102(B)(5), the amount of such overpayment or additional contribution shall be applied to the remaining balance of the experience account amortization base established pursuant to this Subsection. 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. <u>Notwithstanding any provision of this Paragraph to the contrary, beginning with the June 30, 2014, 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 this Paragraph.</u>

<u>(6) Effective for the valuation for the year in which the amortization base established pursuant to Subsection B of this Section is completely liquidated and for 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. 11:883.1(A), without reamortization of such base.</u>

* * *

§542. Experience account

A.

* * *

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

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

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

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

(i) Two ~~two~~ permanent benefit increases ~~as provided in~~ 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 (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 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 granted pursuant to the provisions of this ~~Subsection~~ Section shall begin on the July first following legislative approval, shall be payable annually, and shall ~~equal an amount not to exceed~~ be an amount equal to the lesser of:

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

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

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

(b) If the system is at least seventy-five percent funded but less than eighty-five percent funded and the legislature has not granted a benefit increase in the 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, no increase shall be granted.

(3) ~~The~~ Subject to the limitations contained in Paragraph (1) 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) 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)~~ Subsection C of this Section in or for any year in which the system does not earn an actuarial rate of return of at least eight and one-quarter percent interest on the investment of the system's assets.

* * *

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

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

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

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

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

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

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

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

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

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

* * *

§883.1. Experience account

A.

* * *

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

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

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

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

(i) Two ~~two~~ permanent benefit increases ~~as provided in~~ 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 (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 grant a permanent benefit increase to retirees and beneficiaries whenever the conditions in ~~Subsection G 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 a favorable vote of a majority of the elected members of each house.~~ Any increase granted pursuant to the provisions of this Section shall begin on the July first following legislative approval, shall be payable annually, and shall ~~equal an amount not to exceed~~ be an amount equal to the lesser of:

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

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

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

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(b) If the system is at least seventy-five percent funded but less than eighty-five percent funded and the legislature has not granted a benefit increase in the 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, no increase shall be granted.

(3) ~~The~~ Subject to the limitations contained in Subsection F of this Section, 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)~~ Subsection C of this Section in or for any year in which the system does not earn an actuarial rate of return of at least eight and one-quarter percent interest on the investment of the system's assets.

* * *

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

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

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

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

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

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

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

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

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

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

* * *

§1145.1. Employee Experience Account

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

(a) To the extent permitted by Paragraph (2) of this Subsection and after allocation as provided in R.S. 11:102(B)(3)(d)(vi)(bb), an amount not to exceed fifty percent of the prior year's net investment experience gain as determined by the 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 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 to exceed sixty thousand dollars of the retiree's annual benefit.~~; however, effective~~ Effective for years after July 1, 2007, and on or before June 30, 2015, the eighty-five thousand dollar limit shall be increased each year in an amount equal to the increase in the Consumer Price Index (United States city average for all urban consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the preceding calendar 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 cost-of-living adjustment granted pursuant to the provisions of this ~~Subsection~~ Section shall begin on July first following legislative approval, shall be payable annually, and shall ~~equal an amount not to exceed~~ be an amount equal to the lesser of:

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

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

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

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

(b) If the system is at least seventy-five percent funded but less than eighty-five percent funded and the legislature has not granted a benefit increase in the 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, no increase shall be 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.

* * *

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)~~ Subsection C 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.~~ an actuarial rate of return of at least seven and one-quarter percent interest on the investment of the system's assets.

* * *

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

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

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

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

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

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

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

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

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

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

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

* * *

§1332. Employee Experience Account

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

(a) To the extent permitted by Paragraph (2) of this Subsection and after the allocation as provided in R.S. 11:102(B)(3)(d)(viii)(bb), an amount not to exceed fifty percent of the prior year's net investment experience gain as determined by the 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)<u>(a)</u> In no event shall ~~the amount~~ <u>a credit be made to the account that would cause the balance</u> in the Employee Experience Account <u>to</u> exceed the reserve necessary to grant<u>:</u>

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

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

<u>(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.</u>

* * *

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 grant a cost-of-living adjustment to retirees and beneficiaries whenever the <u>conditions in this Section are satisfied and the</u> 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<u>.</u> ~~by concurrent resolution adopted by the favorable vote of a majority of the elected members of each house.~~ Any such cost-of-living adjustment <u>granted on or before June 30, 2015,</u> 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 to exceed sixty thousand dollars of the retiree's annual benefit. ~~; however, effective~~ Effective for years after July 1, 2007, and on or before June 30, 2015, the eighty-five thousand dollar limit shall be increased each year in an amount equal to the increase in the ~~Consumer Price Index~~ consumer price index (United States city average for all urban consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the preceding calendar 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 adjustment granted pursuant to the provisions of this ~~Subsection~~ Section shall begin on July first following legislative approval, shall be payable annually, and shall ~~equal an amount not to exceed~~ be an amount equal to the lesser of:

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

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

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

(b) If the system is at least seventy-five percent funded but less than eighty-five percent funded and the legislature has not granted a benefit increase in the 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, no increase shall be 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.

* * *

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)~~ Subsection C 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.~~ an actuarial rate of return of at least seven percent interest on the investment of the system's assets.

* * *

F. In addition to the cost-of-living adjustment authorized by Subsection C of this Section, the board of trustees may grant a supplemental cost-of-living adjustment 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 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 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 supplemental cost-of-living adjustment paid 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 supplemental cost-of-living adjustment paid 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 on and ~~for years~~ after July 1, 2007, and on or before June 30, 2015, the eighty-five thousand dollar limit shall be increased each year in an amount equal to the increase in the ~~Consumer Price Index~~ consumer price index (United States city average for all urban consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the preceding calendar year, if any. Effective on and after July 1, 2015, the sixty-thousand dollar limit shall be increased each year in an amount equal to the increase in the consumer price index (United States city average for all urban consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the twelve-month period ending on the system's valuation date, if any. Any cost-of-living adjustment granted pursuant to the provisions of this Subsection shall begin on July first following legislative approval and shall be payable annually.

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

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

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

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

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

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

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

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

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

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

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

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

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

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Robideaux HB No. 1225

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

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

Debt Payments from Excess Returns

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

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

Teachers and State Employees

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

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

Proposed law indexes these required payments to the percentage increase in the system's actuarial value of assets for the preceding year. Each year the maximum amount to be applied by the system to its OAB and EAAB shall equal the prior year's maximum payment increased by the percentage increase in the actuarial value of assets, if any.

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

School Employees and State Police

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

Reamortization of Debt

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

All Four State Systems

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

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

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

Experience Accounts

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

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

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

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

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

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

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

(1) The CPI-U for the twelve month period ending on the system's valuation date.

(2) (a) If the system is 85% funded or greater, 3%.

(b) If the system is at least 75% funded but less than 85% funded and the legislature has not granted a benefit increase in the preceding year, 2.5%.

(c) If the system is at least 65% funded but less than 75% funded and the legislature has not granted a benefit increase in the preceding year, 2%.

(d) If the system is at least 55% funded but less than 65% funded and the legislature has not granted a benefit increase in the preceding year, 1.5%.

(e) If the system is less than 55% funded, no benefit increase shall be granted.

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

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

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

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

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

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

(2) The experience account balance in the preceding fiscal year had reached its maximum reserve for that valuation year.

(3) The experience account balance in the current fiscal year is no longer enough to fund the maximum increase due to either or both of the following:

(a) Growth in the cost of the increase based on changes in the pool of eligible recipients, growth in the benefit amount due to the indexing of the CPI-U, or both.

(b) Credits to the account in the current fiscal year, if any, are insufficient to cover the growth in the cost of the increase.

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

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

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

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

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

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

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

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

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

Authorization of Benefit Increases

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

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

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

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

Uniform Implementation

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

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

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

Summary of Amendments Adopted by House

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

1. Adds provisions to each system requiring a 10-year amortization for debt established by removing money from the general pool of assets and crediting it to the experience account.

2. Adds provision authorizing each system to grant a partial benefit increase under certain circumstances.

3. Excludes particularized liabilities (for LASERS and TRSL) and employer contribution variance debts (for all four systems) from required payments on "oldest" debt of the system.

4. Removes provision requiring joint report by systems to the Public Retirement Systems' Actuarial Committee.

5. Adds provision requiring joint report by systems to the House and Senate Committees on Retirement.

6. Removes proposed law changes with respect to the role of system boards in granting benefit increases.

7. For LSERS and STPOL, adds provisions establishing each system's current assumed rate of return as a threshold for granting a benefit increase above 2%.

8. Removes provisions restricting granting of benefit increases to every other year when the system is above 85% funded.