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## DIGEST

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HB 22 Original

2018 Regular Session

Ivey

**Abstract:** For state retirement systems meeting certain funded ratio criteria, sets a minimum employer contribution rate of 20% and provides for use of funds from such additional contributions.

Proposed law provides that the minimum employer contribution for a state retirement system is 20% if the system is not and has never been 100% funded or if the system has been 100% funded but the funded ratio has fallen below 90%.

Proposed law requires use of excess contributions, those required by proposed law in excess of those required by present law, as follows:

- (1) If the funded ratio of a system is equal to or less than 80%, excess contributions are applied to the oldest outstanding liabilities of the system, as defined in proposed law.
- (2) Otherwise, 50% of excess employer contributions shall be applied as provided in (1) above and the remainder shall be deposited into the system's funding deposit account.

Proposed law creates a funding deposit account for each state retirement system and provides with respect to such accounts as follows:

- (1) Funds shall earn interest annually at the board-approved actuarial valuation interest rate, and such interest shall be credited to the account at least once a year.
- (2) Authorizes charging the account for the following purposes:
  - (a) To reduce the unfunded accrued liability.
  - (b) To pay all or a portion of future net direct employer contributions. Provides for determining the amount of the reduction.
- (3) Prohibits charging the account in excess of outstanding account balance.
- (4) For funding purposes, asset value utilized in the calculation of the actuarial value of assets of a system shall exclude the funding deposit account balance as of the asset determination date for such calculation. For other purposes, the funds in the account shall be considered assets of the system.

Effective July 1, 2018.

(Adds R.S. 11:102.7)