

2019 Regular Session

HOUSE BILL NO. 21

BY REPRESENTATIVE PEARSON

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

RETIREMENT/FIREFIGHTERS: Changes actuarial funding method for the Firefighters' Retirement System

1 AN ACT

2 To amend and reenact R.S. 11:22(B)(4), 42(B)(3), and 103(B)(3)(e)(i) and to enact R.S.  
3 11:2252(24), relative to actuarial funding of the Firefighters' Retirement System; to  
4 provide with respect to actuarial funding methods and amortization of unfunded  
5 accrued liabilities; and to provide for related matters.

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

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 11:22(B)(4), 42(B)(3), and 103(B)(3)(e)(i) are hereby amended and  
11 reenacted and R.S. 11:2252(24) is hereby enacted to read as follows:

12 §22. Methods of actuarial valuation established

13 \* \* \*

14 B. The following funding methods shall be utilized to determine actuarially  
15 required contributions:

16 \* \* \*

17 (4) Firefighters' Retirement System: ~~entry age normal.~~ frozen initial liability.

18 \* \* \*

19 §42. Unfunded accrued liabilities; amortization

20 \* \* \*



1 amounts over a period of fifteen years from the fiscal year of occurrence of each  
2 such actuarial gain or loss, such gains and losses to include any increases in actuarial  
3 liability due to governing authority granted cost-of-living increases.

4 \* \* \*

5 §2252. Definitions

6 The following words and phrases, as used in this Chapter, unless a different  
7 meaning is plainly required by context, shall have the following meaning:

8 \* \* \*

9 (24) "Accrued liability" shall mean the entry age normal accrued liability.

10 Section 2. The Louisiana State Law Institute is hereby authorized and requested to  
11 recodify the provisions enacted as R.S. 11:2252(24) in Section 1 of this Act to achieve its  
12 proper placement in the alphabetical order of definitions.

13 Section 3. This Act shall become effective on July 1, 2019; if vetoed by the governor  
14 and subsequently approved by the legislature, this Act shall become effective on July 1,  
15 2019, or on the day following such approval by the legislature, whichever is later.

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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)]

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HB 21 Engrossed 2019 Regular Session Pearson

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

Actuarial Funding Methods

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

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

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

Amortization Period

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

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

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

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

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

Effective July 1, 2019.

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