

2023 Regular Session

SENATE BILL NO. 18

BY SENATORS PRICE AND CORTEZ

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

RETIREMENT SYSTEMS. Provides for benefit increases for retirees, beneficiaries, and survivors of state retirement systems and the funding therefor. (2/3-CA10s(29)(F)) (gov sig)

1 AN ACT

2 To amend and reenact R.S. 11:102(B)(1), (2)(a), and (3)(e) and to enact R.S.

3 11:102(C)(6)(e), (D)(6)(e), (E)(5), and (F)(4), 542(G), 547, 883.1(G), 883.5,

4 1145.1(F), 1145.6, 1332(G), and 1332.1, relative to the funding mechanism for and

5 payment of benefit increases to persons receiving benefits from the state retirement

6 systems; to provide for the determination of required employer contributions; to

7 provide relative to eligibility to receive an increase; to provide for an effective date;

8 and to provide for related matters.

9 Notice of intention to introduce this Act has been published.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 11:102(B)(1), (2)(a), and (3)(e) are hereby amended and reenacted

12 and R.S. 11:102(C)(6)(e), (D)(6)(e), (E)(5), and (F)(4), 542(G), 547, 883.1(G), 883.5,

13 1145.1(F), 1145.6, 1332(G), and 1332.1 are hereby enacted to read as follows:

14 §102. Employer contributions; determination; state systems

15 * * *

16 B.(1)(a) Except as provided in R.S. 11:102.1, 102.2, 102.3, 102.4, and 102.5

17 and in Paragraph (5) of this Subsection, for each fiscal year, commencing with Fiscal

1 Year 1989-1990, for each of the public retirement systems referenced in Subsection
2 A of this Section, the legislature shall set the required employer contribution rate for
3 each system or plan equal to the **sum of the following**:

4 (i) **The** actuarially required employer contribution, as determined pursuant
5 to the provisions of this Section, divided by the total projected payroll of all active
6 members of each particular system or plan for the fiscal year. **When calculated for**
7 **a system as a whole, without regard for particularized rates for separate plans**
8 **within the system, this rate shall be known as the "aggregate employer**
9 **contribution rate"**.

10 (ii) **Any account funding contribution rate determined pursuant to the**
11 **provisions of this Section.**

12 (b) Each entity funding a portion of a member's salary shall also fund the
13 employer's contribution on that portion of the member's salary at the employer
14 contribution rate specified in this Section.

15 (2)(a) At the end of each fiscal year, the difference between the actuarially
16 required employer contribution for the fiscal year, as determined pursuant to the
17 provisions of this Section, and the amount of employer contributions actually
18 received for the fiscal year, excluding any amounts received for the extraordinary
19 purchase of additional benefits or service **and any amount attributable to an**
20 **account funding contribution rate**, shall be determined.

21 * * *

22 (3) With respect to each state public retirement system, the actuarially
23 required employer contribution for each fiscal year, commencing with Fiscal Year
24 1989-1990, shall be that dollar amount equal to the sum of:

25 * * *

26 (e) ~~Beginning in the first fiscal year in which the projected aggregate~~
27 ~~employer contribution rate, calculated without regard to any changes in the board-~~
28 ~~approved actuarial valuation rate, will not increase, the **The** projected~~
29 noninvestment-related administrative expenses for the fiscal year.

1 * * *

2 C. * * *

3 (6) For each plan referenced in Paragraph (3) of this Subsection, the
4 legislature shall set the required employer contribution rate equal to the sum of the
5 following:

6 * * *

7 (e) The cost-of-living adjustment account funding contribution rate.

8 (i) Effective July 1, 2023, the rate provided for in this Subparagraph,
9 referred to in this Subsection as the "AFC rate", shall be zero.

10 (ii) Notwithstanding any other provision of this Section to the contrary,
11 effective for the June 30, 2023 system valuation and beginning July 1, 2024, for
12 any fiscal year in which the projected aggregate employer contribution rate
13 decreases, the maximum AFC rate shall increase by the lesser of one-half of the
14 amount of the decrease in the projected aggregate employer contribution rate
15 determined under this Section or the amount necessary for the maximum AFC
16 rate to equal two and one-half percent. Any increase in the maximum AFC rate
17 shall be permanent. The maximum AFC rate shall not exceed two and one-half
18 percent.

19 (iii)(aa) Notwithstanding any other provision of this Subparagraph to the
20 contrary, through Fiscal Year 2038-2039, the application of the AFC rate
21 provided for in this Subparagraph shall not cause the sum of the AFC rate and
22 the projected aggregate employer contribution rate for any given fiscal year to
23 exceed the projected aggregate employer contribution rate determined for
24 Fiscal Year 2023-2024 in the June 30, 2022 system valuation. If the application
25 of the maximum AFC rate would cause the sum of the AFC rate and the
26 projected aggregate employer contribution rate to exceed the projected
27 aggregate employer contribution rate determined for Fiscal Year 2023-2024, the
28 AFC rate to be applied shall be reduced from the maximum, for that fiscal year
29 only, by the lesser of the amount by which the sum of the AFC rate and the

1 projected aggregate employer contribution rate exceeds the projected aggregate
2 employer contribution rate determined for Fiscal Year 2023-2024 or the amount
3 of the maximum AFC rate.

4 (bb) Notwithstanding any other provision of this Subparagraph to the
5 contrary, beginning in Fiscal Year 2039-2040, the application of the AFC rate
6 provided for in this Subparagraph shall not cause the sum of the AFC rate and
7 the projected aggregate employer contribution rate for any given fiscal year to
8 exceed twenty-two percent. If the application of the maximum AFC rate would
9 cause the sum of the AFC rate and the projected aggregate employer
10 contribution rate to exceed twenty-two percent, the AFC rate to be applied shall
11 be reduced from the maximum, for that fiscal year only, by the lesser of the
12 amount by which the sum of the AFC rate and the projected aggregate
13 employer contribution rate exceeds twenty-two percent or the amount of the
14 maximum AFC rate.

15 (iv) Notwithstanding any other provision of law to the contrary, the
16 contributions required by this Subparagraph shall not be considered actuarially
17 required contributions for the purposes of Paragraph B(3) of this Section or
18 Article X, Section 29(E) of the Constitution of Louisiana.

19 * * *

20 D. * * *

21 (6) For each plan referenced in Paragraph (3) of this Subsection, the
22 legislature shall set the required employer contribution rate equal to the sum of the
23 following:

24 * * *

25 (e) The permanent benefit increase account funding contribution rate.

26 (i) Effective July 1, 2023, the rate provided for in this Subparagraph,
27 referred to in this Subsection as the "AFC rate", shall be zero.

28 (ii) Notwithstanding any other provision of this Section to the contrary,
29 effective for the June 30, 2023 system valuation and beginning July 1, 2024, for

1 any fiscal year in which the projected aggregate employer contribution rate
2 decreases, the maximum AFC rate shall increase by the lesser of one-half of the
3 amount of the decrease in the projected aggregate employer contribution rate
4 determined under this Section or the amount necessary for the maximum AFC
5 rate to equal two and one-half percent. Any increase in the maximum AFC rate
6 shall be permanent. The maximum AFC rate shall not exceed two and one-half
7 percent.

8 (iii)(aa) Notwithstanding any other provision of this Subparagraph to the
9 contrary, through Fiscal Year 2038-2039, the application of the AFC rate
10 provided for in this Subparagraph shall not cause the sum of the AFC rate and
11 the projected aggregate employer contribution rate for any given fiscal year to
12 exceed the projected aggregate employer contribution rate determined for
13 Fiscal Year 2023-2024 in the June 30, 2022 system valuation. If the application
14 of the maximum AFC rate would cause the sum of the AFC rate and the
15 projected aggregate employer contribution rate to exceed the projected
16 aggregate employer contribution rate determined for Fiscal Year 2023-2024, the
17 AFC rate to be applied shall be reduced from the maximum, for that fiscal year
18 only, by the lesser of the amount by which the sum of the AFC rate and the
19 projected aggregate employer contribution rate exceeds the projected aggregate
20 employer contribution rate determined for Fiscal Year 2023-2024 or the amount
21 of the maximum AFC rate.

22 (bb) Notwithstanding any other provision of this Subparagraph to the
23 contrary, beginning in Fiscal Year 2039-2040, the application of the AFC rate
24 provided for in this Subparagraph shall not cause the sum of the AFC rate and
25 the projected aggregate employer contribution rate for any given fiscal year to
26 exceed sixteen percent. If the application of the maximum AFC rate would
27 cause the sum of the AFC rate and the projected aggregate employer
28 contribution rate to exceed sixteen percent, the AFC rate to be applied shall be
29 reduced from the maximum, for that fiscal year only, by the lesser of the

1 amount by which the sum of the AFC rate and the projected aggregate
2 employer contribution rate exceeds sixteen percent or the amount of the
3 maximum AFC rate.

4 (iv) Notwithstanding any other provision of law to the contrary, the
5 contributions required by this Subparagraph shall not be considered actuarially
6 required contributions for the purposes of Paragraph B(3) of this Section or
7 Article X, Section 29(E) of the Constitution of Louisiana.

8 * * *

9 E. * * *

10 (5) In addition to the actuarially required employer contribution rate
11 determined pursuant to Subsection B of this Section, the legislature shall set the
12 permanent benefit increase account funding contribution rate as provided in
13 this Paragraph.

14 (a) Effective July 1, 2023, the rate provided for in this Paragraph,
15 referred to in this Subsection as the "AFC rate", shall be zero.

16 (b) Notwithstanding any other provision of this Section to the contrary,
17 effective for the June 30, 2023 system valuation and beginning July 1, 2024, for
18 any fiscal year in which the projected aggregate employer contribution rate
19 decreases, the maximum AFC rate shall increase by the lesser of one-half of the
20 amount of the decrease in the projected aggregate employer contribution rate
21 determined under this Section or the amount necessary for the maximum AFC
22 rate to equal two and one-half percent. Any increase in the maximum AFC rate
23 shall be permanent. The maximum AFC rate shall not exceed two and one-half
24 percent.

25 (c) Notwithstanding any other provision of this Paragraph to the
26 contrary, the application of the AFC rate provided for in this Paragraph shall
27 not cause the sum of the AFC rate and the projected aggregate employer
28 contribution rate for any given fiscal year to exceed the projected aggregate
29 employer contribution rate determined for Fiscal Year 2023-2024 in the June

1 30, 2022 system valuation. If the application of the maximum AFC rate would
2 cause the sum of the AFC rate and the projected aggregate employer
3 contribution rate to exceed the projected aggregate employer contribution rate
4 determined for Fiscal Year 2023-2024, the AFC rate to be applied shall be
5 reduced from the maximum, for that fiscal year only, by the lesser of the
6 amount by which the sum of the AFC rate and the projected aggregate
7 employer contribution rate exceeds the projected aggregate employer
8 contribution rate determined for Fiscal Year 2023-2024 or the amount of the
9 maximum AFC rate.

10 (d) Notwithstanding any other provision of law to the contrary, the
11 contributions required by this Paragraph shall not be considered actuarially
12 required contributions for the purposes of Paragraph B(3) of this Section or
13 Article X, Section 29(E) of the Constitution of Louisiana.

14 F. * * *

15 (4) In addition to the actuarially required employer contribution rate
16 determined pursuant to Subsection B of this Section, the legislature shall set the
17 permanent benefit increase account funding contribution rate as provided in
18 this Paragraph.

19 (a) Effective July 1, 2023, the rate provided for in this Paragraph,
20 referred to in this Subsection as the "AFC rate", shall be zero.

21 (b) Notwithstanding any other provision of this Section to the contrary,
22 effective for the June 30, 2023 system valuation and beginning July 1, 2024, for
23 any fiscal year in which the projected aggregate employer contribution rate
24 decreases, the AFC rate shall increase by the lesser of one-half of the amount
25 of the decrease in the projected aggregate employer contribution rate
26 determined under this Section or the amount necessary for the AFC rate to
27 equal two and one-half percent. Any increase in the AFC rate shall be
28 permanent. The AFC rate shall not exceed two and one-half percent.

29 (c) Notwithstanding any other provision of law to the contrary, the

1 contributions required by this Paragraph shall not be considered actuarially
2 required contributions for the purposes of Paragraph B(3) of this Section or
3 Article X, Section 29(E) of the Constitution of Louisiana.

4 * * *

5 §542. Experience account

6 * * *

7 G.(1) Effective for the system valuation in which the original
8 amortization base established in R.S. 11:102.1 is liquidated, after the experience
9 account is credited and debited in accordance with Subsection B of this Section,
10 the remaining balance in the experience account shall be allocated to the COLA
11 account established pursuant to R.S. 11:547, and the experience account balance
12 shall be zero.

13 (2) After the allocation of funds provided for in Paragraph (1) of this
14 Subsection, the provisions of this Section shall terminate.

15 * * *

16 §547. Cost-of-living adjustment funding account

17 A. Effective July 1, 2023, the balance in the cost-of-living adjustment
18 funding account, referred to in this Section as the "COLA account", shall be
19 zero.

20 B.(1) The COLA account shall be credited as follows:

21 (a) Any amount allocated to the COLA account in accordance with R.S.
22 11:542.

23 (b) To the extent permitted by Subparagraph (d) of this Paragraph, all
24 employer contributions paid pursuant to R.S. 11:102(C)(6)(e).

25 (c) To the extent permitted by Subparagraph (d) of this Paragraph, an
26 amount not to exceed that portion of the system's net investment income
27 attributable to the balance in the COLA account at the end of the prior year.

28 (d) In no event shall a credit be made to the COLA account that would
29 cause the balance in the account to exceed the reserve necessary to grant two

1 cost-of-living adjustments of two percent in accordance with the provisions of
2 this Section. Any contributions received from payment of the account funding
3 contribution rate in compliance with R.S. 11:102(C)(6)(e) that would cause the
4 account balance to exceed this reserve if deposited in the account shall be
5 applied as provided in R.S. 11:102.1.

6 (2) The COLA account shall be debited as follows:

7 (a) An amount equal to that portion of the system's net investment loss
8 attributable to the balance in the COLA account at the end of the prior year.

9 (b) An amount sufficient to fund a cost-of-living adjustment granted
10 pursuant to the provisions of this Section.

11 (c) In no event shall the balance in the COLA account fall below zero.

12 C. In accordance with the provisions of this Section, the board of trustees
13 may recommend to the president of the Senate and the speaker of the House of
14 Representatives that the system be permitted to grant a cost-of-living
15 adjustment to retirees, beneficiaries, and survivors when the conditions in this
16 Section are satisfied. The board of trustees shall not grant a cost-of-living
17 adjustment unless the cost-of-living adjustment has been approved by the
18 legislature. Receipt of future cost-of-living adjustments, as provided for in this
19 Section, shall not be an accrued benefit. Retirees, beneficiaries, and survivors
20 shall have no right to receive a cost-of-living adjustment until the cost-of-living
21 adjustment has been approved by the legislature.

22 D.(1) Any cost-of-living adjustment granted pursuant to the provisions
23 of this Section shall begin on the July first following legislative approval and
24 shall equal up to two percent, unless the legislature provides for a different rate
25 or amount in the legislative instrument approving the cost-of-living adjustment.
26 If the balance in the COLA account is not sufficient to fully fund the cost-of-
27 living adjustment on an actuarial basis as determined by the system actuary in
28 agreement with the legislative auditor's actuary, no adjustment shall be
29 granted.

1 (2) The calculation of any cost-of-living adjustment paid under the
2 provisions of this Section shall be based on the benefit being paid to the
3 recipient on the effective date of the adjustment and shall be limited to and shall
4 be payable based only on an amount not to exceed sixty thousand dollars of the
5 recipient's annual benefit.

6 E. A benefit recipient shall be eligible to receive a cost-of-living
7 adjustment if the recipient is one of the following:

8 (1) A regular retiree who has received a benefit for at least two years
9 and is at least age sixty-two.

10 (2) A disability retiree who has received a benefit for at least two years
11 regardless of age.

12 (3) A beneficiary of a deceased retiree who, if the retiree were alive,
13 would meet the eligibility criteria in Paragraph (1) or (2) of this Subsection.

14 (4) A non-retiree beneficiary who has received a benefit for at least two
15 years and whose benefits are derived from the service of a deceased member
16 who would be at least age sixty-two if the member were alive.

17 * * *

18 §883.1. Experience account

19 * * *

20 G.(1) Effective for the system valuation in which the original
21 amortization base established in R.S. 11:102.2 is liquidated, after the experience
22 account is credited and debited in accordance with Subsection B of this Section,
23 the remaining balance in the experience account shall be allocated to the PBI
24 account established pursuant to R.S. 11:883.5, and the experience account
25 balance shall be zero.

26 (2) After the allocation of funds provided for in Paragraph (1) of this
27 Subsection, the provisions of this Section shall terminate.

28 * * *

29 §883.5. Permanent benefit increase funding account

1 A. Effective July 1, 2023, the balance in the permanent benefit increase
2 funding account, referred to in this Section as the "PBI account", shall be zero.

3 B.(1) The PBI account shall be credited as follows:

4 (a) Any amount allocated to the PBI account in accordance with R.S.
5 11:883.1.

6 (b) To the extent permitted by Subparagraph (d) of this Paragraph, all
7 employer contributions paid pursuant to R.S. 11:102(D)(6)(e).

8 (c) To the extent permitted by Subparagraph (d) of this Paragraph, an
9 amount not to exceed that portion of the system's net investment income
10 attributable to the balance in the PBI account at the end of the prior year.

11 (d) In no event shall a credit be made to the PBI account that would
12 cause the balance in the account to exceed the reserve necessary to grant two
13 permanent benefit increases of two percent in accordance with the provisions
14 of this Section. Any contributions received from payment of the account funding
15 contribution rate in compliance with R.S. 11:102(D)(6)(e) that would cause the
16 account balance to exceed this reserve if deposited in the account shall be
17 applied as provided in R.S. 11:102.2.

18 (2) The PBI account shall be debited as follows:

19 (a) An amount equal to that portion of the system's net investment loss
20 attributable to the balance in the PBI account at the end of the prior year.

21 (b) An amount sufficient to fund a permanent benefit increase granted
22 pursuant to the provisions of this Section.

23 (c) In no event shall the balance in the PBI account fall below zero.

24 C. 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 grant a permanent benefit
27 increase to retirees, beneficiaries, and survivors when the conditions in this
28 Section are satisfied. The board of trustees shall not grant a permanent benefit
29 increase unless the permanent benefit increase has been approved by the

1 legislature. Receipt of future permanent benefit increases, as provided for in
2 this Section, shall not be an accrued benefit. Retirees, beneficiaries, and
3 survivors shall have no right to receive a permanent benefit increase until the
4 permanent benefit increase has been approved by the legislature.

5 D.(1) Any increase granted pursuant to the provisions of this Section
6 shall begin on the July first following legislative approval and shall equal up to
7 two percent, unless the legislature provides for a different rate or amount in the
8 legislative instrument approving the permanent benefit increase. If the balance
9 in the PBI account is not sufficient to fully fund the permanent benefit increase
10 on an actuarial basis as determined by the system actuary in agreement with the
11 legislative auditor's actuary, no increase shall be granted.

12 (2) The calculation of any permanent benefit increase paid under the
13 provisions of this Section shall be based on the benefit being paid to the
14 recipient on the effective date of the increase and shall be limited to and shall
15 be payable based only on an amount not to exceed sixty thousand dollars of the
16 recipient's annual benefit.

17 E. A benefit recipient shall be eligible to receive a permanent benefit
18 increase if the recipient is one of the following:

19 (1) A regular retiree who has received a benefit for at least two years
20 and is at least age sixty-two.

21 (2) A disability retiree who has received a benefit for at least two years
22 regardless of age.

23 (3) A beneficiary of a deceased retiree who, if the retiree were alive,
24 would meet the eligibility criteria in Paragraph (1) or (2) of this Subsection.

25 (4) A non-retiree beneficiary who has received a benefit for at least two
26 years and whose benefits are derived from the service of a deceased member
27 who would be at least age sixty-two if the member were alive.

28 * * *

29 §1145.1. Experience account

* * *

F.(1) Effective for the system valuation in which the account funding contribution rate equals the maximum allowable pursuant to R.S. 11:102(E)(5)(b), after the experience account is credited and debited in accordance with Subsection A of this Section, the remaining balance in the experience account shall be allocated to the PBI account established pursuant to R.S. 11:1145.6, and the experience account balance shall be zero.

(2) After the allocation of funds provided for in Paragraph (1) of this Subsection, the provisions of this Section shall terminate.

* * *

§1145.6. Permanent benefit increase funding account

A. Effective July 1, 2023, the balance in the permanent benefit increase funding account, referred to in this Section as the "PBI account", shall be zero.

B.(1) The PBI account shall be credited as follows:

(a) Any amount allocated to the PBI account in accordance with R.S. 11:1145.1.

(b) To the extent permitted by Subparagraph (d) of this Paragraph, all employer contributions paid pursuant to R.S. 11:102(E)(5).

(c) To the extent permitted by Subparagraph (d) of this Paragraph, an amount not to exceed that portion of the system's net investment income attributable to the balance in the PBI account at the end of the prior year.

(d) In no event shall a credit be made to the PBI account that would cause the balance in the account to exceed the reserve necessary to grant two permanent benefit increases of two percent in accordance with the provisions of this Section. Any contributions received from payment of the account funding contribution rate in compliance with R.S. 11:102(E)(5) that would cause the account balance to exceed this reserve if deposited in the account shall be applied as provided in R.S. 11:102.3.

(2) The PBI account shall be debited as follows:

1 (a) An amount equal to that portion of the system's net investment loss
2 attributable to the balance in the PBI account at the end of the prior year.

3 (b) An amount sufficient to fund a permanent benefit increase granted
4 pursuant to the provisions of this Section.

5 (c) In no event shall the balance in the PBI account fall below zero.

6 C. In accordance with the provisions of this Section, the board of trustees
7 may recommend to the president of the Senate and the speaker of the House of
8 Representatives that the system be permitted to grant a permanent benefit
9 increase to retirees, beneficiaries, and survivors when the conditions in this
10 Section are satisfied. The board of trustees shall not grant a permanent benefit
11 increase unless the permanent benefit increase has been approved by the
12 legislature. Receipt of future permanent benefit increases, as provided for in
13 this Section, shall not be an accrued benefit. Retirees, beneficiaries, and
14 survivors shall have no right to receive a permanent benefit increase until the
15 permanent benefit increase has been approved by the legislature.

16 D.(1) Any increase granted pursuant to the provisions of this Section
17 shall begin on the July first following legislative approval and shall equal up to
18 two percent, unless the legislature provides for a different rate or amount in the
19 legislative instrument approving the permanent benefit increase. If the balance
20 in the PBI account is not sufficient to fully fund the permanent benefit increase
21 on an actuarial basis as determined by the system actuary in agreement with the
22 legislative auditor's actuary, no increase shall be granted.

23 (2) The calculation of any permanent benefit increase paid under the
24 provisions of this Section shall be based on the benefit being paid to the
25 recipient on the effective date of the increase and shall be limited to and shall
26 be payable based only on an amount not to exceed sixty thousand dollars of the
27 recipient's annual benefit.

28 E. A benefit recipient shall be eligible to receive a permanent benefit
29 increase if the recipient is one of the following:

1 (1) A regular retiree who has received a benefit for at least two years
2 and is at least age sixty-two.

3 (2) A disability retiree who has received a benefit for at least two years
4 regardless of age.

5 (3) A beneficiary of a deceased retiree who, if the retiree were alive,
6 would meet the eligibility criteria in Paragraph (1) or (2) of this Subsection.

7 (4) A non-retiree beneficiary who has received a benefit for at least two
8 years and whose benefits are derived from the service of a deceased member
9 who would be at least age sixty-two if the member were alive.

10 * * *

11 §1332. Experience account

12 * * *

13 G.(1) Effective for the system valuation in which the account funding
14 contribution rate equals the maximum allowable pursuant to R.S.
15 11:102(F)(4)(b), after the experience account is credited and debited in
16 accordance with Subsection A of this Section, the remaining balance in the
17 experience account shall be allocated to the PBI account established pursuant
18 to R.S. 11:1332.1, and the experience account balance shall be zero.

19 (2) After the allocation of funds provided for in Paragraph (1) of this
20 Subsection, the provisions of this Section shall terminate.

21 §1332.1. Permanent benefit increase funding account

22 A. Effective July 1, 2023, the balance in the permanent benefit increase
23 funding account, referred to in this Section as the "PBI account", shall be zero.

24 B.(1) The PBI account shall be credited as follows:

25 (a) Any amount allocated to the PBI account in accordance with R.S.
26 11:1332.

27 (b) To the extent permitted by Subparagraph (d) of this Paragraph, all
28 employer contributions paid pursuant to R.S. 11:102(F)(4).

29 (c) To the extent permitted by Subparagraph (d) of this Paragraph, an

1 amount not to exceed that portion of the system's net investment income
2 attributable to the balance in the PBI account at the end of the prior year.

3 (d) In no event shall a credit be made to the PBI account that would
4 cause the balance in the account to exceed the reserve necessary to grant two
5 permanent benefit increases of two percent and two supplemental permanent
6 benefit increases of two percent in accordance with the provisions of this
7 Section. Any contributions received from payment of the account funding
8 contribution rate in compliance with R.S. 11:102(F)(4) that would cause the
9 account balance to exceed this reserve if deposited in the account shall be
10 applied as provided in R.S. 11:102.4.

11 (2) The PBI account shall be debited as follows:

12 (a) An amount equal to that portion of the system's net investment loss
13 attributable to the balance in the PBI account at the end of the prior year.

14 (b) An amount sufficient to fund a permanent benefit increase, including
15 a supplemental permanent benefit increase, granted pursuant to the provisions
16 of this Section.

17 (c) In no event shall the balance in the PBI account fall below zero.

18 C. In accordance with the provisions of this Section, the board of trustees
19 may recommend to the president of the Senate and the speaker of the House of
20 Representatives that the system be permitted to grant a permanent benefit
21 increase to retirees, beneficiaries, and survivors when the conditions in this
22 Section are satisfied. The board of trustees shall not grant a permanent benefit
23 increase unless the permanent benefit increase has been approved by the
24 legislature. Receipt of future permanent benefit increases, as provided for in
25 this Section, shall not be an accrued benefit. Retirees, beneficiaries, and
26 survivors shall have no right to receive a permanent benefit increase until the
27 permanent benefit increase has been approved by the legislature.

28 D.(1) Any increase granted pursuant to the provisions of this Section
29 shall begin on the July first following legislative approval and shall equal up to

1 two percent, unless the legislature provides for a different rate or amount in the
2 legislative instrument approving the permanent benefit increase. If the balance
3 in the PBI account is not sufficient to fully fund the permanent benefit increase
4 on an actuarial basis as determined by the system actuary in agreement with the
5 legislative auditor's actuary, no increase shall be granted.

6 (2) The calculation of any permanent benefit increase paid under the
7 provisions of this Section shall be based on the benefit being paid to the
8 recipient on the effective date of the increase and shall be limited to and shall
9 be payable based only on an amount not to exceed sixty thousand dollars of the
10 recipient's annual benefit.

11 E. A benefit recipient shall be eligible to receive a permanent benefit
12 increase if the recipient is one of the following:

13 (1) A regular retiree who has received a benefit for at least two years
14 and is at least age sixty-two.

15 (2) A disability retiree who has received a benefit for at least two years
16 regardless of age.

17 (3) A beneficiary of a deceased retiree who, if the retiree were alive,
18 would meet the eligibility criteria in Paragraph (1) or (2) of this Subsection.

19 (4) A non-retiree beneficiary who has received a benefit for at least two
20 years and whose benefits are derived from the service of a deceased member
21 who would be at least age sixty-two if the member were alive.

22 F. In addition to the permanent benefit increase provided for in
23 Subsection D of this Section, the board of trustees may grant a supplemental
24 permanent benefit increase to all retirees and beneficiaries who are at least age
25 sixty-five and who retired on or before June 30, 2001. This supplemental
26 increase shall consist of an amount equal to two percent of the benefit being
27 received on the date of the increase. In order to grant the supplemental
28 permanent benefit increase, the board of trustees shall recommend to the
29 president of the Senate and the speaker of the House of Representatives that the

1 **system be permitted to grant the supplemental permanent benefit increase to**
 2 **retirees and beneficiaries when the balance in the PBI account is sufficient to**
 3 **fully fund the benefit on an actuarial basis, as determined by the system's**
 4 **actuary. If the legislative auditor's actuary disagrees with the determination of**
 5 **the system's actuary, the supplemental permanent benefit increase shall not be**
 6 **granted. The board of trustees shall not grant a supplemental permanent**
 7 **benefit increase unless the supplemental permanent benefit increase has been**
 8 **approved by the legislature. Any supplemental permanent benefit increase shall**
 9 **be limited to and shall be payable based only on an amount not to exceed sixty**
 10 **thousand dollars of the recipient's annual benefit. Any permanent benefit**
 11 **increase granted pursuant to the provisions of this Subsection shall begin on the**
 12 **July first following legislative approval.**

13 Section 2. The cost of this Act shall be funded with additional employer contributions
 14 in compliance with Article X, Section 29(F) of the Constitution of Louisiana.

15 Section 3. This Act shall become effective upon signature by the governor or, if not
 16 signed by the governor, upon expiration of the time for bills to become law without signature
 17 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
 18 vetoed by the governor and subsequently approved by the legislature, this Act shall become
 19 effective on the day following such approval.

The original instrument and the following digest, which constitutes no part
 of the legislative instrument, were prepared by Alana Madison Perrin.

	DIGEST	
SB 18 Original	2023 Regular Session	Price

For any state or statewide retirement system present law provides for permanent post-retirement benefit increases (PBIs), sometimes called cost-of-living adjustments or COLAs, funded directly or indirectly through employer contributions.

Present law experience account (EA) is a special account within each state retirement system trust for the accumulation of funds to provide eligible recipients with PBIs/COLAs.

The state retirement systems are the La. State Employees' Retirement System (LASERS), the Teachers' Retirement System of La. (TRSL or Teachers), the La. School Employees' Retirement System (LSERS), and the La. State Police Retirement System (State Police or Troopers).

When a state system's actuarially determined investment return exceeds the system's target

and funds are available, present law requires money that would otherwise go into the trust and reduce future employer contributions required to cover benefits already earned to instead be credited to the EA. Requires payment of additional employer contributions over the ten years following a credit to the EA to make up for the diversion of the money into the EA, indirectly funding any PBI/COLA paid from the EA.

Proposed law provides for the phasing out and termination of the EA and of the diversion of the investment earnings into the account and creates a new account for accumulation of funds to pay PBIs/COLAs (the PBI/COLA account). Provides for direct payment of additional employer contributions to be credited to the PBI/COLA account.

Present law requires the legislature to set the required employer contribution rates at the state systems by applying a formula. Provides for payment for the current year's benefit accruals, amortization of unfunded accrued liabilities that existed in 1988, actuarial gains and losses, changes in actuarial assumptions or funding methods, changes in asset valuation methods, allocations to the EA, and administrative expenses.

Proposed law provides for an additional component of the required employer contribution rate called the PBI/COLA account funding contribution or AFC rate. Sets the AFC rate for Fiscal Year 2023-2024 at zero.

Proposed law phases in these additional direct employer contributions. In a year when the employer rate is scheduled to drop, half of the decrease will be added to the maximum possible AFC rate until that maximum equals 2.5%.

Proposed law, applicable to LASERS, Teachers, and LSERS, limits the effect the AFC rate can have on certain employer rates. If the projected aggregate employer contribution rate plus the maximum AFC rate will be above certain thresholds, the AFC rate to be used for that year will be reduced from the maximum and could be zero. Proposed law specifies that additional contributions paid through application of the AFC rate cannot cause the required employer rate to exceed the projected aggregate employer contribution rate that will apply for the 2024 Fiscal Year, beginning July 1, 2023.

The maximum benefit increase permitted under present law is 2% for LASERS and TRSL and 2.5% for LSERS and State Police. With growth in the funding level of a system, present law allows the maximum benefit increase to go as high as 3%. Proposed law provides for a maximum 2% PBI/COLA regardless of funding level.

Present law caps the balance in the EA at the cost of one PBI/COLA if the system is less than 80% funded and at the cost of two PBIs/COLAs if the system is 80% funded or better. Proposed law caps the balance in the PBI/COLA account at two increases.

Present law (R.S. 11:23) provides that "funded percentage" for state systems means the valuation assets used to determine the actuarially required contributions pursuant to present law divided by the accrued liability of the system determined by utilizing the funding method established in present law.

Proposed law retains present law and specifies that the AFC payments required under proposed law are not actuarially required contributions.

To be eligible to receive an EA increase, present law requires that benefits on the member's record must have been paid for at least one year and, if the benefit is not based on a disability, the member's 60th birthday must have passed. Eligibility under proposed law will require that benefits on the member's record must have been paid for at least two years and, if the benefit is not based on a disability, the member's 62nd birthday must have passed.

Present law provides for the increase funded by the EA to be paid on the first \$60,000 of a benefit, indexed to reflect any rise in the consumer price index since 2015. Proposed law

provides for the increase to be paid on the first \$60,000 of a benefit with no indexing.

Present law prohibits a system board of trustees from granting a benefit increase without legislative approval in an Act. Proposed law retains present law.

	<u>Present law</u> Experience Account	<u>Proposed law</u> PBI/COLA Account
maximum increase	2-2.5% currently, up to 3%	2%
payable on	\$60,000 indexed since 2015	\$60,000 not indexed
eligibility	age 60, 1 year of payments	age 62, 2 years of payments
funding source	indirectly by employer	directly by employer
timing of funding	after deposit into the account	before deposit into the account
account balance cap	1 increase if <80% funded 2 increases if ≥80% funded	2 increases regardless of funding
increase authority	Legislative Act	Legislative Act

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 11:102(B)(1), (2)(a), and (3)(e); adds R.S. 11:102(C)(6)(e), (D)(6)(e), (E)(5), and (F)(4), 542(G), 547, 883.1(G), 883.5, 1145.1(F), 1145.6, 1332(G), and 1332.1)