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

SB 18 Original	DIGEST 2023 Regular Session	Price
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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 \geq 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)