

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 sum of the AFC rate and the
21 projected aggregate employer contribution rate for any given fiscal year shall
22 not exceed the projected aggregate employer contribution rate determined for
23 Fiscal Year 2023-2024 in the June 30, 2022 system valuation. If the sum of the
24 maximum AFC rate and the projected aggregate employer contribution rate
25 exceeds the projected aggregate employer contribution rate determined for
26 Fiscal Year 2023-2024, the AFC rate to be applied shall be reduced from the
27 maximum, for that fiscal year only, by the lesser of the amount by which the
28 sum of the maximum AFC rate and the projected aggregate employer
29 contribution rate exceeds the projected aggregate employer contribution rate

1 determined for Fiscal Year 2023-2024 or the amount of the maximum AFC rate.

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

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

15 * * *

16 D. * * *

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

20 * * *

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

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

24 (ii) Notwithstanding any other provision of this Section to the contrary,
25 effective for the June 30, 2023 system valuation and beginning July 1, 2024, for
26 any fiscal year in which the projected aggregate employer contribution rate
27 decreases, the maximum AFC rate shall increase by the lesser of one-half of the
28 amount of the decrease in the projected aggregate employer contribution rate
29 determined under this Section or the amount necessary for the maximum AFC

1 rate to equal two and one-half percent. Any increase in the maximum AFC rate
2 shall be permanent. The maximum AFC rate shall not exceed two and one-half
3 percent.

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

16 (bb) Notwithstanding any other provision of this Subparagraph to the
17 contrary, beginning in Fiscal Year 2039-2040, the sum of the AFC rate and the
18 projected aggregate employer contribution rate for any given fiscal year shall
19 not exceed sixteen percent. If the sum of the maximum AFC rate and the
20 projected aggregate employer contribution rate exceeds sixteen percent, the
21 AFC rate to be applied shall be reduced from the maximum, for that fiscal year
22 only, by the lesser of the amount by which the sum of the maximum AFC rate
23 and the projected aggregate employer contribution rate exceeds sixteen percent
24 or the amount of the maximum AFC rate.

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

29 * * *

1 E. * * *

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

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

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

17 (c) Notwithstanding any other provision of this Paragraph to the
18 contrary, the sum of the AFC rate and the projected aggregate employer
19 contribution rate for any given fiscal year shall not exceed the projected
20 aggregate employer contribution rate determined for Fiscal Year 2023-2024 in
21 the June 30, 2022 system valuation. If the sum of the maximum AFC rate and
22 the projected aggregate employer contribution rate exceeds the projected
23 aggregate employer contribution rate determined for Fiscal Year 2023-2024, the
24 AFC rate to be applied shall be reduced from the maximum, for that fiscal year
25 only, by the lesser of the amount by which the sum of the maximum AFC rate
26 and the projected aggregate employer contribution rate exceeds the projected
27 aggregate employer contribution rate determined for Fiscal Year 2023-2024 or
28 the amount of the maximum AFC rate.

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

1 account established pursuant to R.S. 11:547, and the experience account balance
 2 shall be zero.

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

5 * * *

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

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

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

11 (a) Any amount allocated to the COLA account in accordance with R.S.
 12 11:542.

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

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

18 (d) In no event shall a credit be made to the COLA account that would
 19 cause the balance in the account to exceed the reserve necessary to grant two
 20 cost-of-living adjustments of two percent in accordance with the provisions of
 21 this Section. Any contributions received from payment of the account funding
 22 contribution rate in compliance with R.S. 11:102(C)(6)(e) that would cause the
 23 account balance to exceed this reserve if deposited in the account shall be
 24 applied as provided in R.S. 11:102.1.

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

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

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

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

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

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

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

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

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

29 (2) A disability retiree who has received a benefit for at least two years

1 regardless of age.

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

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

7 * * *

8 §883.1. Experience account

9 * * *

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

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

18 * * *

19 §883.5. Permanent benefit increase funding account

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

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

23 (a) Any amount allocated to the PBI account in accordance with R.S.
24 11:883.1.

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

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

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

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

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

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

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

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

24 D.(1) Any increase granted pursuant to the provisions of this Section
25 shall begin on the July first following legislative approval and shall equal up to
26 two percent, unless the legislature provides for a different rate or amount in the
27 legislative instrument approving the permanent benefit increase. If the balance
28 in the PBI account is not sufficient to fully fund the permanent benefit increase
29 on an actuarial basis as determined by the system actuary in agreement with the

1 legislative auditor's actuary, no increase shall be granted.

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

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

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

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

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

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

18 * * *

19 §1145.1. Experience account

20 * * *

21 F.(1) Effective for the system valuation in which the account funding
22 contribution rate equals the maximum allowable pursuant to R.S.
23 11:102(E)(5)(b), after the experience account is credited and debited in
24 accordance with Subsection A of this Section, the remaining balance in the
25 experience account shall be allocated to the PBI account established pursuant
26 to R.S. 11:1145.6, and the experience account balance shall be zero.

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

29 * * *

1 §1145.6. Permanent benefit increase funding account

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

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

5 (a) Any amount allocated to the PBI account in accordance with R.S.
6 11:1145.1.

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

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

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

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

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

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

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

25 C. In accordance with the provisions of this Section, the board of trustees
26 may recommend to the president of the Senate and the speaker of the House of
27 Representatives that the system be permitted to grant a permanent benefit
28 increase to retirees, beneficiaries, and survivors when the conditions in this
29 Section are satisfied. The board of trustees shall not grant a permanent benefit

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

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

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

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

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

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

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

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

29 * * *

1 §1332. Experience account

2 * * *

3 **G.(1) Effective for the system valuation in which the account funding**
4 **contribution rate equals the maximum allowable pursuant to R.S.**
5 **11:102(F)(4)(b), after the experience account is credited and debited in**
6 **accordance with Subsection A of this Section, the remaining balance in the**
7 **experience account shall be allocated to the PBI account established pursuant**
8 **to R.S. 11:1332.1, and the experience account balance shall be zero.**

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

11 **§1332.1. Permanent benefit increase funding account**

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

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

15 **(a) Any amount allocated to the PBI account in accordance with R.S.**
16 **11:1332.**

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

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

22 **(d) In no event shall a credit be made to the PBI account that would**
23 **cause the balance in the account to exceed the reserve necessary to grant two**
24 **permanent benefit increases of two percent and two supplemental permanent**
25 **benefit increases of two percent in accordance with the provisions of this**
26 **Section. Any contributions received from payment of the account funding**
27 **contribution rate in compliance with R.S. 11:102(F)(4) that would cause the**
28 **account balance to exceed this reserve if deposited in the account shall be**
29 **applied as provided in R.S. 11:102.4.**

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

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

4 **(b) An amount sufficient to fund a permanent benefit increase, including**
5 **a supplemental permanent benefit increase, granted pursuant to the provisions**
6 **of this Section.**

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

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

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

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

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

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

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

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

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

12 F. In addition to the permanent benefit increase provided for in
13 Subsection D of this Section, the board of trustees may grant a supplemental
14 permanent benefit increase to all retirees and beneficiaries who are at least age
15 sixty-five and who retired on or before June 30, 2001. This supplemental
16 increase shall consist of an amount equal to two percent of the benefit being
17 received on the date of the increase. In order to grant the supplemental
18 permanent benefit increase, the board of trustees shall recommend to the
19 president of the Senate and the speaker of the House of Representatives that the
20 system be permitted to grant the supplemental permanent benefit increase to
21 retirees and beneficiaries when the balance in the PBI account is sufficient to
22 fully fund the benefit on an actuarial basis, as determined by the system's
23 actuary. If the legislative auditor's actuary disagrees with the determination of
24 the system's actuary, the supplemental permanent benefit increase shall not be
25 granted. The board of trustees shall not grant a supplemental permanent
26 benefit increase unless the supplemental permanent benefit increase has been
27 approved by the legislature. Any supplemental permanent benefit increase shall
28 be limited to and shall be payable based only on an amount not to exceed sixty
29 thousand dollars of the recipient's annual benefit. Any permanent benefit

1 **increase granted pursuant to the provisions of this Subsection shall begin on the**
 2 **July first following legislative approval.**

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

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

The original instrument was prepared by Alana Madison Perrin. The following digest, which does not constitute a part of the legislative instrument, was prepared by LG Sullivan.

DIGEST

SB 18 Engrossed

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.

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).

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.

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 be applied to 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 sum of 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 this sum cannot exceed the projected aggregate employer contribution rate that will apply for the 2024 Fiscal Year, beginning July 1, 2023. Additionally specifies that, beginning in Fiscal Year 2040, the sum cannot exceed 22% for LASERS and 16% for Teachers.

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 a maximum benefit increase up to 3%. Proposed law provides for a maximum 2% PBI/COLA regardless of funding level.

Present law caps the balance in the EA at the amount needed to fund one PBI/COLA if the system is less than 80% funded and at the amount needed to fund 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
funding payments begin	after deposit into the account	before deposit into the account

account balance cap	1 increase if <80% funded 2 increases if <u>≥</u> 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)

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Retirement to the original bill

1. Clarify that the AFC rate will be reduced if the sum of the AFC rate and the projected aggregate rate is above certain thresholds.