

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 ≥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.