

2023 Regular Session

SENATE BILL NO. 18

BY SENATORS PRICE, BARROW, BOUDREAUX, CORTEZ, TARVER AND WOMACK

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~~
28 ~~board-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 **except the provisions of Item (iv) of this Subparagraph, effective for the June**
12 **30, 2023 system valuation and beginning July 1, 2024, for any fiscal year in**
13 **which the projected aggregate employer contribution rate decreases, the**
14 **maximum AFC rate shall increase by the lesser of one-half of the amount of the**
15 **decrease in the projected aggregate employer contribution rate determined**
16 **under this Section or the amount necessary for the maximum AFC rate to equal**
17 **two and one-half percent. Any increase in the maximum AFC rate shall be**
18 **permanent. The maximum AFC rate shall not exceed two and one-half percent.**

19 **(iii)(aa)(I) Notwithstanding any other provision of this Subparagraph to**
20 **the 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 (II) Notwithstanding any other provision of this Subparagraph to the
 3 contrary, for fiscal years 2024-2025 through 2027-2028, if the projected
 4 aggregate employer contribution rate for Fiscal Year 2024-2025 is more than
 5 three percentage points lower than the projected aggregate employer
 6 contribution rate determined for Fiscal Year 2023-2024 in the June 30, 2022
 7 system valuation then the AFC rate to be applied for a particular year will be
 8 the lesser of the rate determined under Subsubitem (I) of this Subitem or the
 9 corresponding rate for that year in the following table:

| <u>Fiscal Year</u> | <u>AFC Rate</u> |
|--------------------|-----------------|
| <u>2024-2025</u> | <u>1.50%</u> |
| <u>2025-2026</u> | <u>1.75%</u> |
| <u>2026-2027</u> | <u>2.00%</u> |
| <u>2027-2028</u> | <u>2.25%</u> |

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

24 (iv) Notwithstanding any other provision of this Subparagraph to the
 25 contrary, if the Original Amortization Base established in R.S. 11:102.1 is
 26 liquidated in Fiscal Year 2022-2023, the provisions of this Item shall apply.

27 (aa) The maximum AFC rate shall be equal to the following:

| <u>Fiscal Year</u> | <u>Maximum AFC Rate</u> |
|--------------------|-------------------------|
| <u>2024-2025</u> | <u>1.50%</u> |

1 D. * * *

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

5 * * *

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

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

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

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

1 (II) Notwithstanding any other provision of this Subparagraph to the
 2 contrary, for fiscal years 2024-2025 through 2027-2028, if the projected
 3 aggregate employer contribution rate for Fiscal Year 2024-2025 is more than
 4 three percentage points lower than the projected aggregate employer
 5 contribution rate determined for Fiscal Year 2023-2024 in the June 30, 2022
 6 system valuation then the AFC rate to be applied for a particular year will be
 7 the lesser of the rate determined under Subsubitem (I) of this Subitem or the
 8 corresponding rate for that year in the following table:

| <u>Fiscal Year</u> | <u>AFC Rate</u> |
|--------------------|-----------------|
| <u>2024-2025</u> | <u>1.50%</u> |
| <u>2025-2026</u> | <u>1.75%</u> |
| <u>2026-2027</u> | <u>2.00%</u> |
| <u>2027-2028</u> | <u>2.25%</u> |

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

23 (iv) Notwithstanding any other provision of this Subparagraph to the
 24 contrary, if the Original Amortization Base established in R.S. 11:102.2 is
 25 liquidated in Fiscal Year 2022-2023, the provisions of this Item shall apply.

26 (aa) The maximum AFC rate shall be equal to the following:

| <u>Fiscal Year</u> | <u>Maximum AFC Rate</u> |
|--------------------|-------------------------|
| <u>2024-2025</u> | <u>1.50%</u> |
| <u>2025-2026</u> | <u>1.75%</u> |

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

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

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

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

28 **(d) Notwithstanding any other provision of law to the contrary, the**
29 **contributions required by this Paragraph shall not be considered actuarially**

1 required contributions for the purposes of Paragraph B(3) of this Section or
2 Article X, Section 29(E) of the Constitution of Louisiana.

3 F. * * *

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

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

10 (b) 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 AFC rate shall increase by the lesser of one-half of the amount
14 of the decrease in the projected aggregate employer contribution rate
15 determined under this Section or the amount necessary for the AFC rate to
16 equal two and one-half percent. Any increase in the AFC rate shall be
17 permanent. The AFC rate shall not exceed two and one-half percent.

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

22 * * *

23 §542. Experience account

24 * * *

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

1 shall be zero.

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

4 * * *

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 cause the balance in the account to exceed the reserve necessary to grant two
2 permanent benefit increases of two percent in accordance with the provisions
3 of this Section. Any contributions received from payment of the account funding
4 contribution rate in compliance with R.S. 11:102(D)(6)(e) that would cause the
5 account balance to exceed this reserve if deposited in the account shall be
6 applied as provided in R.S. 11:102.2.

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

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

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

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

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

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

1 (2) The calculation of any permanent benefit increase 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 increase 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 permanent benefit
 7 increase if the recipient is one of the following:

8 (1) A regular retiree who has received a benefit for at least two years and
 9 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 §1145.1. Experience account

19 * * *

20 F.(1) Effective for the system valuation in which the account funding
 21 contribution rate equals the maximum allowable pursuant to R.S.
 22 11:102(E)(5)(b), after the experience account is credited and debited in
 23 accordance with Subsection A of this Section, the remaining balance in the
 24 experience account shall be allocated to the PBI account established pursuant
 25 to R.S. 11:1145.6, and the experience account 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 §1145.6. 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 11:1145.1.

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

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(E)(5) 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. 11:102.3.

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 and
 20 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 §1332. Experience account

1 * * *

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

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

10 §1332.1. Permanent benefit increase funding account

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

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

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

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

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

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

29 (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, including
4 a supplemental permanent benefit increase, granted pursuant to the provisions
5 of this Section.

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

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

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

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

29 E. A benefit recipient shall be eligible to receive a permanent benefit

1 increase if the recipient is one of the following:

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

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

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

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

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

1 **July first following legislative approval.**2 Section 2. The cost of this Act shall be funded with additional employer contributions
3 in compliance with Article X, Section 29(F) of the Constitution of Louisiana.4 Section 3. This Act shall become effective upon signature by the governor or, if not
5 signed by the governor, upon expiration of the time for bills to become law without signature
6 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
7 vetoed by the governor and subsequently approved by the legislature, this Act shall become
8 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 Reengrossed | 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 Fiscal Year 2024, beginning July 1, 2023. Additionally specifies that, beginning in Fiscal Year 2040, the sum cannot exceed 22% for LASERS and 16% for Teachers.

If the maximum AFC rate for LASERS or Teachers is greater than 1.5% in the first year (FY 25), proposed law further limits the AFC rate to be applied for the first four years (FYs 25-28) as follows:

| Fiscal Year | AFC Rate to be Applied cannot exceed |
|-------------|--------------------------------------|
| 2024-2025 | 1.50% |
| 2025-2026 | 1.75% |
| 2026-2027 | 2.00% |
| 2027-2028 | 2.25% |

For LASERS and Teachers, proposed law provides an alternate schedule of maximum AFC rates to be used in the first five years if the Original Amortization Base or OAB, which includes the initial unfunded accrued liability (IUAL) that must be paid off by 2029, is liquidated in FY 2022-2023, as follows:

| Fiscal Year | Maximum AFC Rate |
|--------------------------|------------------|
| 2024-2025 | 1.50% |
| 2025-2026 | 1.75% |
| 2026-2027 | 2.00% |
| 2027-2028 | 2.25% |
| 2028-2029 and thereafter | 2.50% |

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.

Committee Amendments Proposed by Senate Committee on Finance to the engrossed bill

1. For LASERS and Teachers, provide for a schedule of upper limits for the AFC rates to be applied in the first four years if the maximum AFC rate would otherwise be above 1.5% in the first year.
2. For LASERS and Teachers, provide an alternate schedule of maximum AFC rates to be used in the first five years if the Original Amortization Base or OAB, which includes the initial unfunded accrued liability (IUAL), is liquidated in FY 2022-2023.