

Regular Session, 2014

HOUSE BILL NO. 42

BY REPRESENTATIVE PEARSON

RETIREMENT/SCHOOL EMPS: Provides for application of remaining funds in the La. School Employees' Retirement System's experience account, after payment of a permanent benefit increase to eligible retirees and beneficiaries, to specified debt of the system

1 AN ACT

2 To amend and reenact R.S. 11:102(B)(3)(d)(vi), relative to the liabilities of the Louisiana
3 School Employees' Retirement System; to provide for consolidation and
4 reamortization of certain such liabilities; to provide for application of funds from
5 certain accounts toward such liabilities; to provide an effective date; and to provide
6 for related matters.

7 Notice of intention to introduce this Act has been published
8 as provided by Article X, Section 29(C) of the Constitution
9 of Louisiana.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 11:102(B)(3)(d)(vi) is hereby amended and reenacted to read as
12 follows:

13 §102. Employer contributions; determination; state systems

14 * * *

15 B.

16 * * *

17 (3) With respect to each state public retirement system, the actuarially
18 required employer contribution for each fiscal year, commencing with Fiscal Year
19 1989-1990, shall be that dollar amount equal to the sum of:

20 * * *

1 (d) That fiscal year's payment, computed as of the first of that fiscal year and
2 projected to the middle of that fiscal year at the actuarially assumed interest rate,
3 necessary to amortize changes in actuarial liability due to:

4 * * *

5 (vi) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the
6 amortization period for the changes, gains, or losses of the Louisiana School
7 Employees' Retirement System provided in Items (i) through (iv) of this
8 Subparagraph shall be thirty years, or in accordance with standards promulgated by
9 the Governmental Accounting Standards Board, from the year in which the change,
10 gain, or loss occurred. The outstanding balances of amortization bases established
11 pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year 2000-
12 2001, shall be amortized as a level dollar amount from July 1, 2004, through June 30,
13 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the
14 outstanding balances of amortization bases established pursuant to Items (i) through
15 (iv) of this Subparagraph shall be amortized as a level dollar amount. Effective for
16 the June 30, 2014, valuation, the outstanding amortization bases for the fiscal years
17 ending 2001 through 2003 shall be combined, any funds remaining from the July 1,
18 2013, account balance in the experience account after payment of a permanent
19 benefit increase pursuant to the provisions of R.S. 11:1145.1 shall be applied by the
20 combined base, and the combined base shall be reamortized over the period ending
21 June 30, 2039, with level dollar payments.

22 * * *

23 Section 2. This Act shall become effective on June 27, 2014; if vetoed by the
24 governor and subsequently approved by the legislature, this Act shall become effective on
25 June 27, 2014, or on the day following such approval by the legislature, whichever is later.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Pearson

HB No. 42

Abstract: Provides for the consolidation of the three years of La. School Employees' Retirement System (LSERS) liabilities that are on an increasing payment schedule, for the application to such debt of experience account funds left over after the system grants a permanent benefit increase to retirees and beneficiaries pursuant to present law, and for reamortization of such consolidated debt on a level payment schedule.

Present law (R.S. 11:1145.1) provides for funds to be deposited into the experience account at the end of each fiscal year if the system attains certain funding targets. Proposed law applies the residue of experience account funds remaining from the July 1, 2013, account balance to the three years of consolidated debt described above. Proposed law does not affect any funds that may enter the account after July 1, 2013.

Present law authorizes a permanent benefit increase to be granted to certain retirees and beneficiaries of LSERS if there is sufficient money in the experience account. Authorizes such an increase at the rate of the lesser of:

- (1) 3%.
- (2) The CPI-U for the last year.

The CPI-U, as calculated by the U.S. Dept. of Labor, Bureau of Labor Statistics, for the last year was 1.5%.

Present law provides for amortization of system liabilities over several years. Proposed law retains present law.

Pursuant to present law, the majority of system liabilities for LSERS have been amortized with level dollar payments over 25 or 30 years; however, the liabilities for the years 2001 through 2003 have been amortized with increasing payment schedules. Proposed law combines these three years of liabilities, applies any remaining funds in the LSERS experience account after the system grants a permanent benefit increase to eligible retirees and beneficiaries effective July 1, 2014, and reamortizes these liabilities so that future payments on the debt are level and the debt is paid in full over a period of 25 years.

Effective June 27, 2014.

(Amends R.S. 11:102(B)(3)(d)(vi))