Regular Session, 2014

ACT No. 399

HOUSE BILL NO. 1225

BY REPRESENTATIVE ROBIDEAUX AND SENATORS GUILLORY, APPEL, CORTEZ, CROWE, LONG, PEACOCK, AND PERRY

AN ACT

To amend and reenact R.S. 11:102(B)(3)(d)(v) through (viii), 102.1(B)(3)(b), (4), and (5) and (C)(4) and (5), 102.2(B)(3)(b) and (4) and (C)(4) and (5), 542(A)(2) and (3), (C)(1) through (3), and (F)(1), 883.1(A)(2) and (3), (C)(1) through (3), (F), and (G)(1), 1145.1(A), (C)(1) through (3), and (D), and 1332(A), (C)(1) through (3), (D), and (F) and to enact R.S. 11:102.1(B)(6) and (C)(6), 102.2(B)(5) and (C)(6), 102.3, 542(G), 883.1(H), 1145.1(F), and 1332(G), relative to the liabilities of the state retirement systems; to provide for payment of such liabilities; to limit creation of certain additional liabilities through benefit increases; to provide relative to authorization of such benefit increases; to provide for an effective date; and to provide for related matters.

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

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 11:102(B)(3)(d)(v) through (viii), 102.1(B)(3)(b), (4), and (5) and (C)(4) and (5), 102.2(B)(3)(b) and (4) and (C)(4) and (5), 542(A)(2) and (3), (C)(1) through (3), and (F)(1), 883.1(A)(2) and (3), (C)(1) through (3), (F), and (G)(1), 1145.1(A), (C)(1) through (3), and (D), and 1332(A), (C)(1) through (3), (D), and (F) are hereby amended and reenacted and R.S. 11:102.1(B)(6) and (C)(6), 102.2(B)(5) and (C)(6), 102.3, 542(G), 883.1(H), 1145.1(F), and 1332(G) are hereby enacted to read as follows:

§102. Employer contributions; determination; state systems

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B.

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

* * *

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

* * *

(v)<u>(aa)(I)</u> Effective July 1, 2004, and beginning with Fiscal Year 1998-1999, the amortization period for the changes, gains, or losses of the Louisiana State Employees' Retirement System provided in Items (i) through (iv) of this Subparagraph shall be thirty years, or in accordance with standards promulgated by the Governmental Accounting Standards Board, from the year in which the change, gain, or loss occurred. The outstanding balances of amortization bases established pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year 1998-1999, shall be amortized as a level dollar amount from July 1, 2004, through June 30, 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the outstanding balances of amortization bases established pursuant to Items (i) through (iv) of this Subparagraph shall be amortized as a level dollar amount. For the Louisiana State Employees' Retirement System, effective for the June 30, 2010, system valuation and beginning with Fiscal Year 2011-2012, amortization payments for changes in actuarial liability shall be determined in accordance with Subsection C of this Section.

<u>(II) Notwithstanding the provisions of Subsubitem (I) of this Subitem, effective for the June thirtieth valuation following the fiscal year in which the system first attains a funded percentage of eighty-five or more and for every year thereafter, the amortization period for the changes, gains, or losses of the Louisiana State Employees' Retirement System provided in Items (i) through (iv) of this</u>

<u>Subparagraph shall be twenty years from the year in which the change, gain, or loss occurred.</u>

<u>(bb)(I) Effective for the June thirtieth valuation for the fiscal year immediately following the year in which the system fully liquidates an amortization base established in R.S. 11:102.1 and for each valuation thereafter, after any remaining payment required pursuant to R.S. 11:102.1, the system shall apply to the oldest outstanding positive amortization base of the system, the system's remaining excess investment experience returns. For the first valuation to which this Subsubitem applies the amount of excess returns to be applied pursuant to the provisions of this Subsubitem shall be the excess returns up to the amount of excess investment experience returns as equals that year's remaining payment pursuant to R.S. 11:102.1. Upon complete liquidation of such amortization base, any remaining funds shall be applied to the next oldest outstanding positive amortization base until no further funds remain or all such bases are completely liquidated. Notwithstanding any provision of this Subitem to the contrary, the maximum amount of excess returns to be applied in any subsequent year pursuant to this Subsubitem shall equal the prior year's maximum amount increased by the percentage increase in the system's actuarial value of assets for the preceding year, if any. For any payment made pursuant to the provisions of this Subsubitem, if the system is eighty-five percent funded or greater prior to the application of the funds, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Item; if the system is less than eighty-five percent funded prior to application of the funds, the net remaining liability shall not be reamortized after such application. For the purposes of this Subsubitem, the oldest outstanding positive amortization base shall first mean the Original Amortization Base until it is completely liquidated, then the Experience Account Amortization Base until it is completely liquidated, and then the oldest outstanding debt of the system excluding any amortization base established to amortize a particularized liability established pursuant to Subsection C of this Section or a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection.</u>

(II) Effective for the June thirtieth valuation for the fiscal year immediately following the year in which the system fully liquidates the last remaining amortization base established in R.S. 11:102.1 and for each valuation thereafter, if the system's investment experience for the fiscal year exceeds the system's actuarial assumed rate of return, the system shall apply to the oldest outstanding positive amortization base of the system, excluding any amortization base established to amortize a particularized liability established pursuant to Subsection C of this Section or a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection, the system's excess investment experience returns. For the first valuation to which this Subsubitem applies, the amount of excess returns to be applied pursuant to the provisions of this Subsubitem shall be the excess returns up to the amount of excess investment experience returns as equals double the last payment made pursuant to Subsubitem (I) of this Subitem. Upon complete liquidation of such amortization base, any remaining funds shall be applied to the next oldest outstanding positive amortization base until no further funds remain or all such bases are completely liquidated. Notwithstanding any provision of this Subitem to the contrary, the maximum amount of excess returns to be applied in any subsequent year pursuant to this Subsubitem shall equal the prior year's maximum amount increased by the percentage increase in the system's actuarial value of assets for the preceding year, if any. For any payment made pursuant to the provisions of this Subsubitem, if the system is eighty-five percent funded or greater prior to the application of the funds, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Item; if the system is less than eighty-five percent funded prior to application of the funds, the net remaining liability shall not be reamortized after such application.

(cc) Effective for the June 30, 2019, system valuation and for each valuation thereafter, actuarial gains allocated to the experience account shall be amortized as a loss with level payments over a ten-year period.

(dd) Notwithstanding any provision of this Item to the contrary, for the June 30, 2014, valuation the amortization period for investment gains not allocated to the

Original Amortization Base, the Experience Account Amortization Base, or credited to the experience account shall be five years.

(vi)(aa)(I) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the amortization period for the changes, gains, or losses of the Louisiana School Employees' Retirement System provided in Items (i) through (iv) of this Subparagraph shall be thirty years, or in accordance with standards promulgated by the Governmental Accounting Standards Board, from the year in which the change, gain, or loss occurred. The outstanding balances of amortization bases established pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year 2000-2001, shall be amortized as a level dollar amount from July 1, 2004, through June 30, 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the outstanding balances of amortization bases established pursuant to Items (i) through (iv) of this Subparagraph shall be amortized as a level dollar amount.

(II) Notwithstanding the provisions of Subsubitem (I) of this Subitem, effective for the June thirtieth valuation following the fiscal year in which the system first attains a funded percentage of eighty-five or more and for every year thereafter, the amortization period for the changes, gains, or losses of the Louisiana School Employees' Retirement System provided in Items (i) through (iv) of this Subparagraph shall be twenty years from the year in which the change, gain, or loss occurred.

(bb)(I) Effective for the June 30, 2014, valuation, if the system's investment experience for the fiscal year exceeds the system's actuarial assumed rate of return, the system shall apply the excess investment experience returns, up to the first seven and one-half million dollars, to the oldest outstanding positive amortization base of the system, excluding any amortization base established to amortize a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection, and without reamortization of such base.

(II) Effective for the June 30, 2015, valuation and for each valuation thereafter, if the system's investment experience for the fiscal year exceeds the system's actuarial assumed rate of return, the system shall apply the excess investment experience returns, up to the first fifteen million dollars for the June 30, 2015, valuation, to the oldest outstanding positive amortization base of the system, excluding any amortization base established to amortize a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection. Upon complete liquidation of such amortization base, any remaining funds shall be applied to the next oldest outstanding positive amortization base until no further funds remain or all such bases are completely liquidated. Notwithstanding any provision of this Subsubitem to the contrary, the maximum amount of excess returns to be applied in any subsequent year pursuant to this Subsubitem shall equal the prior year's maximum amount increased by the percentage increase in the system's actuarial value of assets for the preceding year, if any. For any payment made pursuant to the provisions of this Subsubitem, if the system is eighty-five percent funded or greater prior to the application of the funds, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Item; if the system is less than eighty-five percent funded prior to application of the funds, the net remaining liability shall not be reamortized after such application.

(cc) Effective for the June 30, 2019, system valuation and for each valuation thereafter, actuarial gains allocated to the experience account shall be amortized as a loss with level payments over a ten-year period.

(dd) Notwithstanding any provision of this Item to the contrary, for the June 30, 2014, valuation the amortization period for investment gains not allocated to the oldest outstanding positive amortization base pursuant to Subitem (bb) of this Item or credited to the experience account shall be five years.

(vii)(aa)(I) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the amortization period for the changes, gains, or losses of the Teachers' Retirement System of Louisiana provided in Items (i) through (iv) of this Subparagraph shall be thirty years, or in accordance with standards promulgated by the Governmental Accounting Standards Board, from the year in which the change, gain, or loss occurred. The outstanding balances of amortization bases established pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year 2000-2001, shall be amortized as a level dollar amount from July 1, 2004, through June 30, 2029. Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the outstanding balances of amortization bases established pursuant to Items (i) through (iv) of this Subparagraph shall be amortized as a level dollar amount. For the Teachers' Retirement System of Louisiana, effective for the June 30, 2011, system valuation and beginning with Fiscal Year 2012-2013, amortization payments for changes in actuarial liability shall be determined in accordance with Subsection D of this Section.

(II) Notwithstanding the provisions of Subsubitem (I) of this Subitem, effective for the June thirtieth valuation following the fiscal year in which the system first attains a funded percentage of eighty-five or more and for every year thereafter, the amortization period for the changes, gains, or losses of the Teachers' Retirement System of Louisiana provided in Items (i) through (iv) of this Subparagraph shall be twenty years from the year in which the change, gain, or loss occurred.

(bb)(I) Effective for the June thirtieth valuation for the fiscal year immediately following the year in which the system fully liquidates an amortization base established in R.S. 11:102.2 and for each valuation thereafter, after any remaining payment required pursuant to R.S. 11:102.2, the system shall apply to the oldest outstanding positive amortization base of the system, the system's remaining excess investment experience returns. For the first valuation to which this Subsubitem applies the amount of excess returns to be applied pursuant to the provisions of this Subsubitem shall be the excess returns up to the amount of excess investment experience returns as equals that year's remaining payment pursuant to R.S. 11:102.2. Upon complete liquidation of such amortization base, any remaining funds shall be applied to the next oldest outstanding positive amortization base until no further funds remain or all such bases are completely liquidated. Notwithstanding any provision of this Subitem to the contrary, the maximum amount of excess returns to be applied in any subsequent year pursuant to this Subsubitem shall equal the prior year's maximum amount increased by the percentage increase in the system's actuarial value of assets for the preceding year, if any. For any payment made pursuant to the provisions of this Subsubitem, if the system is eighty-five percent funded or greater prior to the application of the funds, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Item; if the system is less than eighty-five percent funded prior to application of the funds, the net remaining liability shall not be reamortized after such application. For the purposes of this Subitem, the oldest outstanding positive amortization base shall first mean the Original Amortization Base until it is completely liquidated, then the Experience Account Amortization Base until it is completely liquidated, and then the oldest outstanding debt of the system excluding any amortization base established to amortize a particularized liability established pursuant to Subsection D of this Section or a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection.

(II) Effective for the June thirtieth valuation for the fiscal year immediately following the year in which the system fully liquidates the last remaining amortization base established in R.S. 11:102.2 and for each valuation thereafter, if the system's investment experience for the fiscal year exceeds the system's actuarial assumed rate of return, the system shall apply to the oldest outstanding positive amortization base of the system, excluding any amortization base established to amortize a particularized liability established pursuant to Subsection D of this Section or a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection, the system's excess investment experience returns. For the first valuation to which this Subsubitem applies, the amount of excess returns to be applied pursuant to the provisions of this Subsubitem shall be the excess returns up to the amount of excess investment experience returns as equals double the last payment made pursuant to Subsubitem (I) of this Subitem. Upon complete liquidation of such amortization base, any remaining funds shall be applied to the next oldest outstanding positive amortization base until no further funds remain or all such bases are completely liquidated. Notwithstanding any provision of this Subitem to the contrary, the maximum amount of excess returns to be applied in any subsequent year pursuant to this Subsubitem shall equal the prior year's maximum amount increased by the percentage increase in the system's actuarial value of assets for the preceding year, if any. For any payment made pursuant to the provisions of this Subsubitem, if the system is eighty-five percent funded or greater prior to the application of the funds, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Item; if the system is less than eighty-five percent funded prior to application of the funds, the net remaining liability shall not be reamortized after such application.

(cc) Effective for the June 30, 2019, system valuation and for each valuation thereafter, actuarial gains allocated to the experience account shall be amortized as a loss with level payments over a ten-year period.

(dd) Notwithstanding any provision of this Item to the contrary, for the June 30, 2014, valuation the amortization period for investment gains not allocated to the Original Amortization Base, the Experience Account Amortization Base, or credited to the experience account shall be five years.

(viii)(aa)(I) Effective July 1, 2009, and beginning with Fiscal Year 1992-1993, the amortization period for the changes, gains, or losses of the Louisiana State Police Retirement System provided in Items (i) through (iv) of this Subparagraph shall be thirty years, or in accordance with standards promulgated by the Governmental Accounting Standards Board, from the year in which the change, gain, or loss occurred. The outstanding balances of amortization bases established pursuant to Items (i) through (iv) of this Subparagraph before Fiscal Year 2008-2009, shall be amortized as a level dollar amount from July 1, 2009, through June 30, 2029. Beginning with Fiscal Year 2008-2009, and for each fiscal year thereafter, the outstanding balances of amortization bases established pursuant to Items (i) through (iv) of this Subparagraph shall be amortized as a level dollar amount.

(II) Notwithstanding the provisions of Subsubitem (I) of this Subitem, effective for the June thirtieth valuation following the fiscal year in which the system first attains a funded percentage of eighty-five or more and for every year thereafter, the amortization period for the changes, gains, or losses of the Louisiana

State Police Retirement System provided in Items (i) through (iv) of this Subparagraph shall be twenty years from the year in which the change, gain, or loss occurred.

(bb)(I) Effective for the June 30, 2014, valuation, if the system's investment experience for the fiscal year exceeds the system's actuarial assumed rate of return, the system shall apply the excess investment experience returns, up to the first two and one-half million dollars, to the oldest outstanding positive amortization base of the system, excluding any amortization base established to amortize a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection, and without reamortization of such base.

(II) Effective for the June 30, 2015, valuation and for each valuation thereafter, if the system's investment experience for the fiscal year exceeds the system's actuarial assumed rate of return, the system shall apply the excess investment experience returns, up to the first five million dollars for the June 30, 2015, valuation, to the oldest outstanding positive amortization base of the system, excluding any amortization base established to amortize a liability established pursuant to Subparagraphs (2)(a) and (3)(c) of this Subsection. Upon complete liquidation of such amortization base, any remaining funds shall be applied to the next oldest outstanding positive amortization base until no further funds remain or all such bases are completely liquidated. Notwithstanding any provision of this Subsubitem to the contrary, the maximum amount of excess returns to be applied in any subsequent year pursuant to this Subsubitem shall equal the prior year's maximum amount increased by the percentage increase in the system's actuarial value of assets for the preceding year, if any. For any payment made pursuant to the provisions of this Subsubitem, if the system is eighty-five percent funded or greater prior to the application of the funds, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Item; if the system is less than eighty-five percent funded prior to application of the funds, the net remaining liability shall not be reamortized after such application.

(cc) Effective for the June 30, 2019, system valuation and for each valuation thereafter, actuarial gains allocated to the experience account shall be amortized as a loss with level payments over a ten-year period.

(dd) Notwithstanding any provision of this Item to the contrary, for the June 30, 2014, valuation the amortization period for investment gains not allocated to the oldest outstanding positive amortization base pursuant to Subitem (bb) of this Item or credited to the experience account shall be five years.

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§102.1. Consolidation of amortization payment schedules; Louisiana State Employees' Retirement System

* * *

B. Original amortization base.

* * *

(3)

* * *

(b) The first payment after this consolidation shall be made in Fiscal Year 2010-2011 and the final payment ~~in~~ shall be made no later than Fiscal Year 2028-2029.

(4)(a) ~~In~~ Except as provided in Paragraph (6) of this Subsection, in any year in which the system exceeds its actuarially-assumed rate of return, the ~~first fifty million dollars of~~ excess returns, up to the first fifty million for the June 30, 2015, valuation, shall be applied to the remaining balance of the original amortization base established in this Subsection. The maximum amount of excess returns to be applied in any subsequent year pursuant to the provisions of this Subparagraph shall equal the prior year's maximum amount increased by the percentage increase in the system's actuarial value of assets for the preceding year, if any.

(b) ~~After such application, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law.~~ For any payment made pursuant to the provisions of this Paragraph, if the system is eighty-five percent funded or greater prior to the application of the funds, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law; if the system is less than eighty-five percent funded prior to application of the funds, the net remaining liability shall not be reamortized after such application.

(5) Notwithstanding the provisions of R.S. 11:102(B)(3)(c) and (5) or any other provision of law to the contrary, in any year through Fiscal Year 2016-2017 in which the system receives an overpayment of employer contributions as determined pursuant to R.S. 11:102(B)(2) and in any year through Fiscal Year 2016-2017 in which the system receives additional contributions pursuant to R.S. 11:102(B)(5), the amount of such overpayment or additional contribution shall be applied to the remaining balance of the original amortization base established pursuant to this Subsection. ~~After such application, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law.~~ For any payment made pursuant to the provisions of this Paragraph, if the system is eighty-five percent funded or greater prior to the application of the funds, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law; if the system is less than eighty-five percent funded prior to application of the funds, the net remaining liability shall not be reamortized after such application.

(6) For the June 30, 2014, valuation, if the system exceeds its actuarially-assumed rate of return, the excess returns, up to the first twenty-five million dollars, shall be applied to the remaining balance of the original amortization base established in this Subsection, without reamortization of such base.

C. Experience account amortization base.

* * *

(4)(a) ~~In~~ Except as provided in Paragraph (6) of this Subsection, in any year in which the excess returns of the system exceed the amount ~~in Paragraph~~ applied to the Original Amortization Base pursuant to Subparagraph (B)(4)(a) of this Section, the remaining excess returns, up to the next fifty million dollars for the June 30, 2015, valuation, ~~of excess returns~~ shall be applied to the experience account amortization base established in this Subsection. The maximum amount of excess returns to be applied in any subsequent year pursuant to the provisions of this Subparagraph shall equal the prior year's maximum amount increased by the percentage increase in the system's actuarial value of assets for the preceding year, if any.

(b) ~~After such application, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law.~~ For any payment made pursuant to the provisions of this Paragraph, if the system is eighty-five percent funded or greater prior to the application of the funds, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law; if the system is less than eighty-five percent funded prior to application of the funds, the net remaining liability shall not be reamortized after such application.

(5) Notwithstanding the provisions of R.S. 11:102(B)(3)(c) and (5) or any other provision of law to the contrary, in any year from Fiscal Year 2017-2018 through Fiscal Year 2039-2040 in which the system receives an overpayment of employer contributions as determined pursuant to R.S. 11:102(B)(2) and in any year from Fiscal Year 2017-2018 through Fiscal Year 2039-2040 in which the system receives additional contributions pursuant to R.S. 11:102(B)(5), the amount of such overpayment or additional contribution shall be applied to the remaining balance of the experience account amortization base established pursuant to this Subsection. ~~After such application, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law.~~ For any payment made pursuant to the provisions of this Paragraph, if the system is eighty-five percent funded or greater prior to the application of the funds, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided

in this Subsection or as otherwise provided by law; if the system is less than eighty-five percent funded prior to application of the funds, the net remaining liability shall not be reamortized after such application.

(6) For the June 30, 2014, valuation, if the excess returns of the system exceed the amount applied to the original amortization base pursuant to Subparagraph (B)(6) of this Section, the remaining excess returns, up to the next twenty-five million dollars, shall be applied to the remaining balance of the experience account amortization base established in this Subsection, without reamortization of such base.

§102.2. Consolidation of amortization payment schedules; Teachers' Retirement System of Louisiana

* * *

B. Original amortization base.

* * *

(3)

* * *

(b) The first payment shall be made in Fiscal Year 2010-2011 and the final payment ~~in~~ shall be made no later than Fiscal Year 2028-2029.

(4)(a) ~~In~~ Except as provided in Paragraph (5) of this Subsection, in any year in which the system exceeds its actuarially-assumed rate of return, the ~~first one hundred million dollars of~~ excess returns, up to the first one hundred million dollars for the June 30, 2015, valuation, shall be applied to the remaining balance of the original amortization base established in this Subsection. The maximum amount of excess returns to be applied in any subsequent year pursuant to the provisions of this Subparagraph shall equal the prior year's maximum amount increased by the percentage increase in the system's actuarial value of assets for the preceding year, if any.

(b) ~~After such application, the net remaining liability shall be reamortized over the remaining amortization period with annual payments as provided in this Subsection or as otherwise provided by law.~~ For any payment made pursuant to the provisions of this Paragraph, if the system is eighty-five percent funded or greater prior to the application of the funds, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law; if the system is less than eighty-five percent funded prior to application of the funds, the net remaining liability shall not be reamortized after such application.

(5) For the June 30, 2014, valuation, if the system exceeds its actuarially-assumed rate of return, the excess returns, up to the first fifty million dollars, shall be applied to the remaining balance of the original amortization base established in this Subsection, without reamortization of such base.

C. Experience account amortization base.

* * *

(4)(a) ~~In~~ Except as provided in Paragraph (6) of this Subsection, in any year in which the excess returns of the system exceed the amount ~~in Paragraph~~ applied to the Original Amortization Base pursuant to Subparagraph (B)(4)(a) of this Section, the remaining excess returns, up to the next one hundred million dollars for the June 30, 2015, valuation, ~~of excess returns~~ shall be applied to the experience account amortization base established in this Subsection. The maximum amount of excess returns to be applied in any subsequent year pursuant to the provisions of this Subparagraph shall equal the prior year's maximum amount increased by the percentage increase in the system's actuarial value of assets for the preceding year, if any.

(b) ~~After such application, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law.~~ For any payment made pursuant to the provisions of this Paragraph, if the system is eighty-five percent funded or greater prior to the application of the funds, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law; if the system is less than eighty-five percent funded prior to application of the funds, the net remaining liability shall not be reamortized after such application.

(5) Notwithstanding the provisions of R.S. 11:102(B)(3)(c) and (5) or any other provision of law to the contrary, in any year from Fiscal Year 2009-2010 through Fiscal Year 2039-2040 in which the system receives an overpayment of employer contributions as determined pursuant to R.S. 11:102(B)(2) and in any year from Fiscal Year 2009-2010 through Fiscal Year 2039-2040 in which the system receives additional contributions pursuant to R.S. 11:102(B)(5), the amount of such overpayment or additional contribution shall be applied to the remaining balance of the experience account amortization base established pursuant to this Subsection. ~~After such application, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law.~~ For any payment made pursuant to the provisions of this Paragraph, if the system is eighty-five percent funded or greater prior to the application of the funds, the net remaining liability shall be reamortized over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law; if the system is less than eighty-five percent funded prior to application of the funds, the net remaining liability shall not be reamortized after such application.

(6) For the June 30, 2014, valuation, if the excess returns of the system exceed the amount applied to the original amortization base pursuant to Subparagraph (B)(5) of this Section, the remaining excess returns, up to the next fifty million dollars, shall be applied to the remaining balance of the experience account amortization base established in this Subsection, without reamortization of such base.

§102.3. Review of volatility

Following the close of Fiscal Year 2018-2019, the future volatility of the then-existing schedules of each state system shall be reexamined by staff of each system and of the legislature, including actuaries for both. The results of this reexamination, which may identify issues to be resolved and include

<u>recommendations for plan amendments, shall be reported to the Public Retirement Systems' Actuarial Committee by November 1, 2019. The committee shall review the results and determine what changes to the system plan provisions, if any, are advisable. If appropriate, the committee shall make a recommendation to the legislature on whether and what type of legislation is warranted.</u>

* * *

§542. Experience account

A.

* * *

(2) The experience account shall be credited as follows:

(a) To the extent permitted by Paragraph (3) of this Subsection and after allocation to the ~~consolidated~~ amortization bases as provided in ~~R.S. 11:102.1~~ <u>R.S. 11:102(B)(3)(d)(v)(bb) and 102.1, as applicable</u>, an amount not to exceed fifty percent of the remaining balance of the prior year's net investment experience gain as determined by the system's actuary.

(b) To the extent permitted by Paragraph (3) of this Subsection, an amount not to exceed that portion of the system's net investment income attributable to the balance in the experience account during the prior year.

(3)<u>(a)</u> In no event shall ~~the amount~~ <u>a credit be made to the account that would cause the balance</u> in the experience account <u>to</u> exceed the reserve necessary to grant<u>:</u>

<u>(i) Two</u> ~~two~~ permanent benefit increases ~~as provided in~~ <u>determined pursuant to</u> Subsection C of this Section <u>if the system is eighty percent funded or greater</u>.

<u>(ii) One permanent benefit increase as determined pursuant to Subsection C of this Section if the system is less than eighty percent funded.</u>

<u>(b) If the system is less than eighty percent funded and has reserves in excess of the amounts provided for in Item (a)(ii) of this Paragraph, it shall not apply credits to the account pursuant to Subparagraph (2)(b) of this Subsection.</u>

* * *

C.(1) In accordance with the provisions of this Section, the board of trustees may recommend to the president of the Senate and the speaker of the House of Representatives that the system be permitted to grant a permanent benefit increase to retirees, survivors, and beneficiaries whenever the conditions in ~~Subsection F of this Section~~ are satisfied and the balance in the experience account is sufficient to fund such benefit fully on an actuarial basis, as determined by the system's actuary. If the legislative auditor's actuary disagrees with the determination of the system's actuary, a permanent benefit increase shall not be granted. The board of trustees shall not grant a permanent benefit increase unless such permanent benefit increase has been approved by the legislature. ~~by concurrent resolution adopted by the favorable vote of a majority of the elected members of each house.~~ Any such permanent benefit increase granted on or before June 30, 2015, shall be limited to and shall only be payable based on an amount not to exceed seventy thousand dollars of the retiree's annual benefit. Any such permanent benefit increase granted on or after July 1, 2015, shall be limited to and shall only be payable based on an amount not to exceed sixty thousand dollars of the retiree's annual benefit. ~~; however, effective~~ Effective for years after July 1, 1999, and on or before June 30, 2015, the seventy-thousand dollar limit shall be increased each year in an amount equal to any increase in the consumer price index (U.S. city average for all urban consumers (CPI-U)) for the preceding year, if any. Effective on or after July 1, 2015, the sixty-thousand dollar limit shall be increased each year in an amount equal to any increase in the consumer price index, (U.S. city average for all urban consumers (CPI-U)) for the twelve-month period ending on the system's valuation date, if any. Any increase granted pursuant to the provisions of this ~~Subsection~~ Section shall begin on the July first following legislative approval, shall be payable annually, and shall ~~equal an amount not to exceed~~ be an amount equal to the lesser of:

(a) ~~Three percent.(b)~~ An amount as determined in Paragraph (2) of this Subsection.

(b)~~(2) If the~~ The increase in the consumer price index, U.S. city average for all urban consumers (CPI-U), as prepared by the U.S. Department of Labor, Bureau of Labor Statistics, for the twelve-month period ending on the system's valuation date ~~calendar year immediately preceding the permanent benefit increase is less than three percent, then the permanent benefit increase shall be a sum equal to the CPI-U increase for that prior calendar year,~~ if any. If the balance in the experience account is not sufficient to fund that sum, no increase shall be granted.

(2)(a) If the system is eighty percent funded or greater, three percent.

(b) If the system is at least seventy-five percent funded but less than eighty percent funded and the legislature has not granted a benefit increase in the preceding fiscal year, two and one-half percent.

(c) If the system is at least sixty-five percent funded but less than seventy-five percent funded and the legislature has not granted a benefit increase in the preceding fiscal year, two percent.

(d) If the system is at least fifty-five percent funded but less than sixty-five percent funded and the legislature has not granted a benefit increase in the preceding fiscal year, one and one-half percent.

(e) If the system is less than fifty-five percent funded or if the system is less than eighty-five percent funded but more than fifty-five percent funded and the legislature granted a benefit increase in the preceding fiscal year, no increase shall be granted.

(3) ~~The~~ Subject to the limitations contained in Paragraph (1) of this Subsection, the percentage of each recipient's permanent benefit increase shall be based on the benefit being paid to the recipient on the effective date of the increase.

* * *

F.(1) The permanent benefit increase which is authorized by Subsection C of this Section shall be limited to the lesser of either two percent or an amount as determined in ~~Paragraph (C)(2)~~ Subsection C of this Section in or for any year in which the system does not earn an actuarial rate of return of at least eight and one-quarter percent interest on the investment of the system's assets.

* * *

CODING: Words in ~~struck through~~ type are deletions from existing law; words underscored are additions.

G.(1) Notwithstanding any provision of this Section to the contrary, in a year in which the experience account balance is insufficient to fund the amount required pursuant to Paragraph (C)(1) of this Section, the board may make the recommendation provided in Paragraph (C)(1) of this Section if all of the following conditions are satisfied:

(a) No benefit increase was granted in the preceding fiscal year.

(b) The experience account balance established in the system valuation for the preceding fiscal year reached its maximum reserve permitted pursuant to Paragraph (A)(3) of this Section applicable to the system valuation for that valuation year.

(c) The experience account balance established in the system valuation for the current fiscal year is insufficient to fund the maximum increase permitted pursuant to Paragraph (C)(2) of this Section applicable to the system valuation for the preceding fiscal year.

(d) All of the insufficiency in the account is attributable to the following:

(i) The growth of the cost of the increase, but only if that growth was produced solely by either or both of these events:

(aa) Changes in the pool of the eligible recipients.

(bb) The growth in the benefit amount to which the increase applies due to the application of the CPI-U pursuant to the provisions of Paragraph (C)(1) of this Section.

(ii) Credits to the account, if any, are insufficient to cover the growth in the cost of the increase.

(2) The amount of the increase shall be equal to the amount the balance in the experience account will fully fund rounded to the nearest lower one-tenth of one percent.

* * *

§883.1. Experience account

A.

* * *

(2) The experience account shall be credited as follows:

(a) To the extent permitted by Paragraph (3) of this Subsection and after allocation to the ~~consolidated~~ amortization bases as provided in ~~R.S. 11:102.2~~ R.S. 11:102(B)(3)(d)(vii)(bb) and 102.2, as applicable, an amount not to exceed fifty percent of the remaining balance of the prior year's net investment experience gain as determined by the system's actuary.

(b) To the extent permitted by Paragraph (3) of this Subsection, an amount not to exceed that portion of the system's net investment income attributable to the balance in the experience account during the prior year.

(3)(a) In no event shall ~~the amount~~ a credit be made to the account that would cause the balance in the experience account to exceed the reserve necessary to grant either of the following:

(i) Two ~~two~~ permanent benefit increases ~~as provided in~~ determined pursuant to Subsection C of this Section if the system is eighty percent funded or greater.

(ii) One permanent benefit increase as determined pursuant to Subsection C of this Section if the system is less than eighty percent funded.

(b) If the system is less than eighty percent funded and has reserves in excess of the amounts provided for in Item (a)(ii) of this Paragraph, it shall not apply credits to the account pursuant to Subparagraph (2)(b) of this Subsection.

* * *

C.(1) In accordance with the provisions of this Section, the board of trustees may recommend to the president of the Senate and the speaker of the House of Representatives that the system be permitted to grant a permanent benefit increase to retirees and beneficiaries whenever the conditions in ~~Subsection G of~~ this Section are satisfied and the balance in the experience account is sufficient to fund such benefit fully on an actuarial basis, as determined by the system's actuary. If the legislative auditor's actuary disagrees with the determination of the system's actuary, a permanent benefit increase shall not be granted. The board of trustees shall not grant a permanent benefit increase unless such permanent benefit increase has been approved by the legislature. ~~by concurrent resolution adopted by a favorable vote of~~

~~a majority of the elected members of each house.~~ Any increase granted pursuant to the provisions of this Section shall begin on the July first following legislative approval, shall be payable annually, and shall ~~equal an amount not to exceed~~ be an amount equal to the lesser of:

(a) ~~Three percent.(b)~~ An amount as determined in Paragraph (2) of this Subsection.

~~(2)~~(b) ~~If the~~ The increase in the consumer price index, U.S. city average for all urban consumers (CPI-U), as prepared by the U.S. Department of Labor, Bureau of Labor Statistics, for the twelve-month period ending on the system's valuation date ~~calendar year immediately preceding the permanent benefit increase is less than three percent, then the permanent benefit increase shall be a sum equal to the CPI-U increase for that prior calendar year~~, if any. If the balance in the experience account is not sufficient to fund that sum, no increase shall be granted.

(2)(a) If the system is eighty percent funded or greater, three percent.

(b) If the system is at least seventy-five percent funded but less than eighty percent funded and the legislature has not granted a benefit increase in the preceding fiscal year, two and one-half percent.

(c) If the system is at least sixty-five percent funded but less than seventy-five percent funded and the legislature has not granted a benefit increase in the preceding fiscal year, two percent.

(d) If the system is at least fifty-five percent funded but less than sixty-five percent funded and the legislature has not granted a benefit increase in the preceding fiscal year, one and one-half percent.

(e) If the system is less than fifty-five percent funded or if the system is less than eighty-five percent funded but more than fifty-five percent funded and the legislature granted a benefit increase in the preceding fiscal year, no increase shall be granted.

(3) ~~The~~ Subject to the limitations contained in Subsection F of this Section, the percentage of each recipient's permanent benefit increase shall be based on the benefit being paid to the recipient on the effective date of the increase.

* * *

F.(1) Notwithstanding any other provisions of this Section to the contrary, any permanent benefit increase granted on or before June 30, 2015, shall be calculated only on the first seventy thousand dollars of the retiree's annual retirement benefit. ~~(2) The~~ This seventy-thousand dollar limit ~~provided for in Paragraph (1) of this Subsection~~ shall be increased each year in an amount equal to any increase in the consumer price index, U.S. city average for all urban consumers (CPI-U) for the preceding year, if any.

(2) Notwithstanding any other provisions of this Section to the contrary, any permanent benefit increase granted on or after July 1, 2015, shall be calculated only on the first sixty thousand dollars of the retiree's annual retirement benefit. This sixty-thousand dollar limit shall be increased each year in an amount equal to any increase in the consumer price index, U.S. city average for all urban consumers (CPI-U) for the immediately preceding one-year period ending in June, if any.

G.(1) The permanent benefit increase which is authorized by Subsection C of this Section shall be limited to the lesser of either two percent or an amount as determined in ~~Paragraph (C)(2)~~ Subsection C of this Section in or for any year in which the system does not earn an actuarial rate of return of at least eight and one-quarter percent interest on the investment of the system's assets.

* * *

H.(1) Notwithstanding any provision of this Section to the contrary, in a year in which the experience account balance is insufficient to fund the amount required pursuant to Paragraph (C)(1) of this Section, the board may make the recommendation provided in Paragraph (C)(1) of this Section if all of the following conditions are satisfied:

(a) No benefit increase was granted in the preceding fiscal year.

CODING: Words in ~~struck through~~ type are deletions from existing law; words underscored are additions.

(b) The experience account balance established in the system valuation for the preceding fiscal year reached its maximum reserve permitted pursuant to Paragraph (A)(3) of this Section applicable to the system valuation for that valuation year.

(c) The experience account balance established in the system valuation for the current fiscal year is insufficient to fund the maximum increase permitted pursuant to Paragraph (C)(2) of this Section applicable to the system valuation for the preceding fiscal year.

(d) All of the insufficiency in the account is attributable to the following:

(i) The growth of the cost of the increase, but only if that growth was produced solely by either or both of these events:

(aa) Changes in the pool of the eligible recipients.

(bb) The growth in the benefit amount to which the increase applies due to the application of the CPI-U pursuant to the provisions of Paragraph (C)(1) of this Section.

(ii) Credits to the account, if any, are insufficient to cover the growth in the cost of the increase.

(2) The amount of the increase shall be equal to the amount the balance in the experience account will fully fund rounded to the nearest lower one-tenth of one percent.

* * *

§1145.1. Employee Experience Account

A.(1) The Employee Experience Account shall be credited as follows:

(a) To the extent permitted by Paragraph (2) of this Subsection and after allocation as provided in R.S. 11:102(B)(3)(d)(vi)(bb), an amount not to exceed fifty percent of the prior year's net investment experience gain as determined by the system's actuary.

(b) To the extent permitted by Paragraph (2) of this Subsection, an amount not to exceed that portion of the system's net investment income attributable to the balance in the Employee Experience Account during the prior year.

(2)(a) In no event shall ~~the amount~~ a credit be made to the account that would cause the balance in the Employee Experience Account to exceed the reserve necessary to grant:

(i) Two ~~two~~ cost-of-living adjustments determined pursuant to Subsection C of this Section if the system is eighty percent funded or greater.

(ii) One permanent benefit increase as determined pursuant to Subsection C of this Section if the system is less than eighty percent funded.

(b) If the system is less than eighty percent funded and has reserves in excess of the amounts provided for in Item (a)(ii) of this Paragraph, it shall not apply credits to the account pursuant to Subparagraph (1)(b) of this Subsection.

* * *

C.(1) In accordance with the provisions of this Section, the board of trustees may recommend to the president of the Senate and the speaker of the House of Representatives that the system be permitted to grant a cost-of-living adjustment to retirees and beneficiaries whenever the conditions in this Section are satisfied and the balance in the Employee Experience Account is sufficient to fully fund such benefit on an actuarial basis, as determined by the system's actuary. If the legislative actuary disagrees with the determination of the system's actuary, a cost-of-living adjustment shall not be granted. The board of trustees shall not grant a cost-of-living adjustment ~~as provided in this Subsection~~ unless such cost-of-living adjustment has been approved by the legislature. ~~by concurrent resolution adopted by the favorable vote of a majority of the elected members of each house.~~ Any such cost-of-living adjustment granted on or before June 30, 2015, shall be limited to and shall only be payable based on an amount not to exceed eighty-five thousand dollars of the retiree's annual benefit. Any such cost-of-living adjustment granted on or after July 1, 2015, shall be limited to and shall only be payable based on an amount not to exceed sixty thousand dollars of the retiree's annual benefit.~~; however, effective~~ Effective for years after July 1, 2007, and on or before June 30, 2015, the eighty-five thousand dollar limit shall be increased each year in an amount equal to the increase in the Consumer Price Index (United States city average for all urban consumers

(CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the preceding calendar year, if any. Effective on or after July 1, 2015, the sixty-thousand dollar limit shall be increased each year in an amount equal to any increase in the consumer price index (U.S. city average for all urban consumers (CPI-U)) for the twelve-month period ending on the system's valuation date, if any. Any cost-of-living adjustment granted pursuant to the provisions of this ~~Subsection~~ Section shall begin on July first following legislative approval, shall be payable annually, and shall ~~equal an amount not to exceed~~ be an amount equal to the lesser of:

(a) ~~Three percent.(b)~~ An amount as determined in Paragraph (2) of this Subsection.

(b)~~(2) If the~~ The increase in the Consumer Price Index (United States city average for all urban consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the twelve-month period ending on the system's valuation date ~~calendar year immediately preceding the cost-of-living adjustment is less than three percent, then the cost-of-living adjustment shall be a sum equal to the CPI-U increase for that prior calendar year~~, if any. If the balance in the experience account is not sufficient to fund that sum, no increase shall be granted.

(2)(a) If the system is eighty percent funded or greater, three percent.

(b) If the system is at least seventy-five percent funded but less than eighty percent funded and the legislature has not granted a benefit increase in the preceding fiscal year, two and one-half percent.

(c) If the system is at least sixty-five percent funded but less than seventy-five percent funded and the legislature has not granted a benefit increase in the preceding fiscal year, two percent.

(d) If the system is at least fifty-five percent funded but less than sixty-five percent funded and the legislature has not granted a benefit increase in the preceding fiscal year, one and one-half percent.

(e) If the system is less than fifty-five percent funded or if the system is less than eighty-five percent funded but more than fifty-five percent funded and the legislature granted a benefit increase in the preceding fiscal year, no increase shall be granted.

(3) ~~The~~ Subject to the limitations contained in Paragraph (1) of this Subsection, the percentage of each recipient's cost-of-living adjustment shall be based on the benefit being paid to the recipient on the effective date of the increase.

* * *

D. The cost-of-living increase which is authorized by Subsection C of this Section shall be limited to the lesser of either two percent or an amount determined as provided in ~~Paragraph (C)(2)~~ Subsection C of this Section in or for any year in which the system does not earn ~~the required actuarial rate of return as certified by the system's actuary.~~ an actuarial rate of return of at least seven and one-quarter percent interest on the investment of the system's assets.

* * *

F.(1) Notwithstanding any provision of this Section to the contrary, in a year in which the experience account balance is insufficient to fund the amount required pursuant to Paragraph (C)(1) of this Section, the board may make the recommendation provided in Paragraph (C)(1) of this Section if all of the following conditions are satisfied:

(a) No benefit increase was granted in the preceding fiscal year.

(b) The experience account balance established in the system valuation for the preceding fiscal year reached its maximum reserve permitted pursuant to Paragraph (A)(3) of this Section applicable to the system valuation for that valuation year.

(c) The experience account balance established in the system valuation for the current fiscal year is insufficient to fund the maximum increase permitted pursuant to Paragraph (C)(2) of this Section applicable to the system valuation for the preceding fiscal year.

(d) All of the insufficiency in the account is attributable to the following:

(i) The growth of the cost of the increase, but only if that growth was produced solely by either or both of these events:

(aa) Changes in the pool of the eligible recipients.

(bb) The growth in the benefit amount to which the increase applies due to the application of the CPI-U pursuant to the provisions of Paragraph (C)(1) of this Section.

(ii) Credits to the account, if any, are insufficient to cover the growth in the cost of the increase.

(2) The amount of the increase shall be equal to the amount the balance in the experience account will fully fund rounded to the nearest lower one-tenth of one percent.

* * *

§1332. Employee Experience Account

A.(1) The Employee Experience Account shall be credited as follows:

(a) To the extent permitted by Paragraph (2) of this Subsection and after the allocation as provided in R.S. 11:102(B)(3)(d)(viii)(bb), an amount not to exceed fifty percent of the prior year's net investment experience gain as determined by the system's actuary.

(b) To the extent permitted by Paragraph (2) of this Subsection, an amount not to exceed that portion of the system's net investment income attributable to the balance in the Employee Experience Account during the prior year.

(2)(a) In no event shall ~~the amount~~ a credit be made to the account that would cause the balance in the Employee Experience Account to exceed the reserve necessary to grant:

(i) Two ~~two~~ cost-of-living adjustments determined pursuant to Subsection C of this Section if the system is eighty percent funded or greater.

(ii) One permanent benefit increase as determined pursuant to Subsection C of this Section if the system is less than eighty percent funded.

(b) If the system is less than eighty percent funded and has reserves in excess of the amounts provided for in Item (a)(ii) of this Paragraph, it shall not apply credits to the account pursuant to Subparagraph (1)(b) of this Subsection.

* * *

C.(1) In accordance with the provisions of this Section, the board of trustees may recommend to the president of the Senate and the speaker of the House of Representatives that the system be permitted to grant a cost-of-living adjustment to retirees and beneficiaries whenever the conditions in this Section are satisfied and the balance in the Employee Experience Account is sufficient to fully fund such benefit on an actuarial basis, as determined by the system's actuary. If the legislative actuary disagrees with the determination of the system's actuary, a cost-of-living adjustment shall not be granted. The board of trustees shall not grant a cost-of-living adjustment ~~as provided in this Subsection~~ unless such cost-of-living adjustment has been approved by the legislature. ~~by concurrent resolution adopted by the favorable vote of a majority of the elected members of each house.~~ Any such cost-of-living adjustment granted on or before June 30, 2015, shall be limited to and shall only be payable based on an amount not to exceed eighty-five thousand dollars of the retiree's annual benefit. Any such cost-of-living adjustment granted on or after July 1, 2015, shall be limited to and shall only be payable based on an amount not to exceed sixty thousand dollars of the retiree's annual benefit. ~~; however, effective~~ Effective for years after July 1, 2007, and on or before June 30, 2015, the eighty-five thousand dollar limit shall be increased each year in an amount equal to the increase in the ~~Consumer Price Index~~ consumer price index (United States city average for all urban consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the preceding calendar year, if any. Effective on or after July 1, 2015, the sixty-thousand dollar limit shall be increased each year in an amount equal to any increase in the consumer price index (U.S. city average for all urban consumers (CPI-U)) for the twelve-month period ending on the system's valuation date, if any. Any adjustment granted pursuant to the provisions of this ~~Subsection~~ Section shall begin on July first following legislative approval, shall be payable annually, and shall ~~equal an amount not to exceed~~ be an amount equal to the lesser of:

(a) ~~Three percent.(b)~~ An amount as determined in Paragraph (2) of this Subsection.

(b)~~(2) If the~~ The increase in the ~~Consumer Price Index~~ consumer price index (United States city average for all urban consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the twelve-month period ending on the system's valuation date ~~calendar year immediately preceding the cost-of-living adjustment is less than three percent, then the cost-of-living adjustment shall be a sum equal to the CPI-U increase for that prior calendar year~~, if any. If the balance in the experience account is not sufficient to fund that sum, no increase shall be granted.

(2)(a) If the system is eighty percent funded or greater, three percent.

(b) If the system is at least seventy-five percent funded but less than eighty percent funded and the legislature has not granted a benefit increase in the preceding fiscal year, two and one-half percent.

(c) If the system is at least sixty-five percent funded but less than seventy-five percent funded and the legislature has not granted a benefit increase in the preceding fiscal year, two percent.

(d) If the system is at least fifty-five percent funded but less than sixty-five percent funded and the legislature has not granted a benefit increase in the preceding fiscal year, one and one-half percent.

(e) If the system is less than fifty-five percent funded or if the system is less than eighty-five percent funded but more than fifty-five percent funded and the legislature granted a benefit increase in the preceding fiscal year, no increase shall be granted.

(3) ~~The~~ Subject to the limitations contained in Paragraph (1) of this Subsection, the percentage of each recipient's cost-of-living adjustment shall be based on the benefit being paid to the recipient on the effective date of the increase.

* * *

D. The cost-of-living increase which is authorized by Subsection C of this Section shall be limited to the lesser of either two percent or an amount determined as provided in ~~Paragraph (C)(2)~~ Subsection C of this Section in or for any year in which the system does not earn ~~the required actuarial rate of return as certified by the system's actuary.~~ an actuarial rate of return of at least seven percent interest on the investment of the system's assets.

* * *

F. In addition to the cost-of-living adjustment authorized by Subsection C of this Section, the board of trustees may grant a supplemental cost-of-living adjustment to all retirees and beneficiaries who are at least age sixty-five, which shall consist of an amount equal to two percent of the benefit being received on the date of the adjustment. In order to grant such supplemental cost-of-living adjustment, the board of trustees shall recommend to the president of the Senate and the speaker of the House of Representatives that the system be permitted to grant such supplemental cost-of-living adjustment to retirees and beneficiaries whenever the balance in the Employee Experience Account is sufficient to fully fund such benefit on an actuarial basis, as determined by the system's actuary. If the legislative actuary disagrees with the determination of the system's actuary, such supplemental cost-of-living adjustment shall not be granted. The board of trustees shall not grant such supplemental cost-of-living adjustment ~~as provided in this Subsection~~ unless such supplemental cost-of-living adjustment has been approved by the legislature. ~~by concurrent resolution adopted by the favorable vote of a majority of the elected members of each house.~~ Any such supplemental cost-of-living adjustment paid on or before June 30, 2015, shall be limited to and shall only be payable based on an amount not to exceed eighty-five thousand dollars of the retiree's annual benefit. Any such supplemental cost-of-living adjustment paid on or after July 1, 2015, shall be limited to and shall only be payable based on an amount not to exceed sixty thousand dollars of the retiree's annual benefit. ~~; however, effective~~ Effective on and ~~for years~~ after July 1, 2007, and on or before June 30, 2015, the eighty-five thousand dollar limit shall be increased each year in an amount equal to the increase in the

CODING: Words in ~~struck through~~ type are deletions from existing law; words underscored are additions.

~~Consumer Price Index~~ consumer price index (United States city average for all urban consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the preceding calendar year, if any. Effective on and after July 1, 2015, the sixty-thousand dollar limit shall be increased each year in an amount equal to the increase in the consumer price index (United States city average for all urban consumers (CPI-U)), as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the twelve-month period ending on the system's valuation date, if any. Any cost-of-living adjustment granted pursuant to the provisions of this Subsection shall begin on July first following legislative approval and shall be payable annually.

G.(1) Notwithstanding any provision of this Section to the contrary, in a year in which the experience account balance is insufficient to fund the amount required pursuant to Paragraph (C)(1) of this Section, the board may make the recommendation provided in Paragraph (C)(1) of this Section if all of the following conditions are satisfied:

(a) No benefit increase was granted in the preceding fiscal year.

(b) The experience account balance established in the system valuation for the preceding fiscal year reached its maximum reserve permitted pursuant to Paragraph (A)(3) of this Section applicable to the system valuation for that valuation year.

(c) The experience account balance established in the system valuation for the current fiscal year is insufficient to fund the maximum increase permitted pursuant to Paragraph (C)(2) of this Section applicable to the system valuation for the preceding fiscal year.

(d) All of the insufficiency in the account is attributable to the following:

(i) The growth of the cost of the increase, but only if that growth was produced solely by either or both of these events:

(aa) Changes in the pool of the eligible recipients.

(bb) The growth in the benefit amount to which the increase applies due to the application of the CPI-U pursuant to the provisions of Paragraph (C)(1) of this Section.

(ii) Credits to the account, if any, are insufficient to cover the growth in the cost of the increase.

(2) The amount of the increase shall be equal to the amount the balance in the experience account will fully fund rounded to the nearest lower one-tenth of one percent.

Section 2.(A) Notwithstanding any provision to the contrary of R.S. 11:542(A)(2)(a), 883.1(A)(2)(a), 1145.1(A)(1)(a), or 1332(A)(1)(a), as amended by this Act, for the June 30, 2014, valuation, for the purposes of determining excess returns to be credited to the experience account, each system shall exclude only the following sum from its calculation of net investment experience gain:

(1) Louisiana State Employees' Retirement System: the first one hundred million dollars of excess investment experience returns.

(2) Teachers' Retirement System of Louisiana: the first two hundred million dollars of excess investment experience returns.

(3) Louisiana School Employees' Retirement System: the first fifteen million dollars of excess investment experience returns.

(4) State Police Retirement System: the first five million dollars of excess investment experience returns.

(B) Any restriction in such provisions of law, as amended by this Act, on the total amount of assets authorized to be credited to the account is hereby expressly retained.

Section 3. The systems shall each prepare and present to the House and Senate committees on retirement a report on the administrative and actuarial processes that will be applied in the implementation of this Act. The reports shall be submitted to the committees no later than November 14, 2014.

Section 4. The provisions of Sections 1, 2, and 3 of this Act shall become effective if and when the Acts which originated as Senate Bill Nos. 16, 18, 19, and 21 of the 2014 Regular Session of the Legislature of Louisiana become effective.

Section 5. The provisions of this Section and Section 4 of this Act shall become effective on June 30, 2014; if this Act is vetoed by the governor and subsequently approved by the legislature, the provisions of this Section and Section 4 of this Act shall become effective on June 30, 2014, or on the day following such approval by the legislature, whichever is later.

SPEAKER OF THE HOUSE OF REPRESENTATIVES

PRESIDENT OF THE SENATE

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: ____________________