

## HOUSE SUMMARY OF SENATE AMENDMENTS

HB 42

2015 Regular Session

Jones

RETIREMENT/COLAS: Authorizes payments funded by state retirement system experience accounts to certain retirees and beneficiaries of such systems

### Synopsis of Senate Amendments

1. Change the payable date of the cost-of-living adjustment (COLA) from July 1, 2015, to July 1, 2016.
2. Change the percentage amount of the COLA from 1.5% for all systems to the percentage the system would otherwise be eligible to pay pursuant to present law.
3. Change the general amortization period at each state system for actuarial changes, gains, and losses, from 30 years to 20 years via incremental reductions over a period of five years.
4. Require certain debts of each system to be reamortized every five years, beginning with the June 30, 2019, valuation. Further require reamortization of such debts in the June 30, 2015, valuation.
5. Change the effective date upon which ten-year amortization begins for transfers of funds from the general fund to the experience account from the June 30, 2019, valuation to the first annual valuation in 2016 or later containing the next experience account deposit.
6. Establish the sequence by which credits and debits may be made to each experience account.

### Permanent Benefit Increase

Present law, relative to the four state retirement systems, establishes an "experience account" within each system for the accumulation of certain system funds. Provides for utilization of these funds for benefit increases, commonly called "cost-of-living adjustments" (COLAs), for retirees, survivors, and beneficiaries of the system. Provides that the following classes of retirees and beneficiaries are eligible for a COLA paid pursuant to present law:

- (1) Any retiree who has received a benefit for at least one year and who has attained at least age 60.
- (2) Any nonretiree beneficiary who has received a benefit for at least one year, aggregated with any time the deceased member may have received a benefit, if the deceased member would have attained age 60.
- (3) Any disability retiree or any beneficiary who receives benefits based on the death of a disability retiree if benefits have been received for at least one year.

Proposed law retains present law.

Present law provides that a COLA may only be granted every other year. During the 2014 R.S., the legislature authorized payment, payable July 1, 2014, of a COLA for retirees and beneficiaries of each of the four state retirement systems.

Proposed law authorizes each system board to grant a COLA to retirees and beneficiaries of that system, payable July 1, 2016, funded from monies in the system experience account.

Proposed law provides that retirees and beneficiaries who would qualify for a COLA under present law qualify for receipt of the COLA authorized by proposed law.

Proposed law provides that the amount of the COLA shall be an amount supported by the funds in the system's experience account after all required credits and debits to the account under present law up to the maximum payment percentage of the retiree or beneficiary's benefit amount provided for in present law, currently 1.5% for LASERS and TRSL and 2% for LSERS and STPOL.

Proposed law provides that the benefit increase shall only be paid on the first \$60,000 of a benefit.

#### Experience Account Credits and Debits

Present law provides that credits shall be made to the experience account when the system has certain levels of excess investment earnings. The funds that do not go into the experience account are amortized as a credit to reduce the employer contributions over a 30-year period.

Proposed law retains present law but prescribes the order in which credits and debits are to be made to the experience account beginning with the June 30, 2015 valuation. Requires credits or debits related to the net investment gain or loss attributable to the balance in the experience account during the prior year be made first. Subsequently, any credits pursuant to present law investment experience gain are to be applied. Lastly, if any COLA is to be paid, the debit for such COLA cost is made to the account.

#### Reduced Amortization Periods

Present law provides that the general amortization period for all credits and debts of the system shall be 30 years until the system is 85% funded.

Proposed law provides that beginning with the June 30, 2015 valuation and with each succeeding valuation for a period of five years, the amortization period for the systems shall be reduced by two years, resulting in a 20-year period by 2020.

#### Reamortization of Debts Every 5 Years

Present law provides for additional payments on each system's oldest amortized debts. Specifies that the debts shall not be reamortized until that system has reached a funded level of 85%.

Proposed law provides that, in the June 30, 2015 valuation, these debts shall be reamortized to reflect any additional payments that have been made since the last reamortization. Further provides that in the June 30, 2019 valuation and every five years thereafter these debts will again be reamortized to reflect payments made since the last reamortization until the system reaches a funded level of 85%. If the system is 85% funded, the debt is reamortized with each payment, as provided in present law.

#### Accounting for Credits to the Experience Account

Present law provides for all debts of the system, including any credits made to the experience account, to be amortized over a 30-year period.

Present constitution requires any benefit provision with an actuarial cost to be funded within ten years.

Present law provides for an experience account in which funds accumulate for the purpose of granting a permanent benefit increase for the retirees of the system.

Present law, requires that, beginning with the June 30, 2019 valuation, any funds credited to the experience account shall be accounted for as a debt with a ten-year amortization period.

Proposed law provides for the ten-year amortization period to begin with the first valuation in 2016 or later that includes experience account deposits.

Proposed law provides that any cost of proposed law not funded by payments made from the system experience account shall be funded with additional employer contributions in compliance with present law.

Proposed law provides that in the case of any conflict between the provisions of proposed law and the provisions of any other Act of the 2015 R.S., the provisions of proposed law shall supercede and control regardless of the order of passage.

Proposed law provides that the provisions of proposed law shall not be severable.

Proposed law requires adoption of a board resolution directing the actuary to use proposed law provisions in the June 30, 2015 valuation for the authority to grant the COLA to become operable.

Effective June 30, 2015.

(Amends R.S. 11:102(B)(3)(d)(v)(aa)(II), (bb), and (cc), (vi)(aa)(II), (bb)(II), and (cc), (vii)(aa)(II), (bb), and (cc), and (viii)(aa)(II), (bb)(II), and (cc), 102.1(B)(4)(b) and (5) and (C)(4)(b) and (5), and 102.2(B)(4)(b) and (C)(4)(b) and (5), 542(A)(2)(introductory paragraph) and (B)(introductory paragraph), 883.1(A)(2)(introductory paragraph) and (B)(introductory paragraph), 1145.1(A)(1)(introductory paragraph) and (B)(introductory paragraph), and 1332(A)(1)(introductory paragraph) and (B)(introductory paragraph); adds R.S. 11:102.1(B)(7) and (C)(7), 102.2(B)(6) and (C)(7), 542(H), 542.2, 883.1(I), 883.4, 1145.1(G), 1145.3, 1331.2, and 1332(H))