

RÉSUMÉ DIGEST

ACT 95 (SB 18)

2016 Regular Session

Peacock

New law, relative to the state retirement systems, generally rearranges the content of present law to provide for ease of administration and clarification of certain actuarial concepts.

New law contains a few substantive changes, as further detailed in this digest.

Unless otherwise indicated, the provisions of present law and proposed law apply to all four state retirement systems:

- (1) La. State Employees' Retirement System (LASERS)
- (2) Teachers' Retirement System of La. (Teachers' or TRSL)
- (3) La. School Employees' Retirement System (LSERS)
- (4) State Police Retirement System (Troopers)

OVERVIEW

Prior law, relative to state retirement systems, generally provided for determination of actuarial liabilities and calculations of payments to liquidate those liabilities. Provides for application of certain actuarial gains to help reduce the payments necessary to liquidate a system's liabilities, to reduce specific amortization bases of system debt, and for allocation to a side account (the experience account) designed to accumulate monies to fund benefit increases for retirees.

New law retains prior law.

Prior law provided for determination of the amount and timing of permanent benefit increases (PBIs) for retirees, sometimes called cost-of-living adjustments or COLAs.

New law retains prior law.

SUBSTANTIVE CHANGES

Prior law, subject to certain caveats, provided for a schedule of maximum PBI amounts based on a system's funded percentage. The schedule ranges from a minimum of 1.5% for a system that is at least 55% funded but less than 65% funded to a maximum of 3.0% for a system that is at least 80% funded. Provided for other changes to be triggered by the system's funded percentage.

New law retains prior law.

New law defines "funded percentage" for state systems. Provides that, except as otherwise provided by law, "funded percentage" means valuation assets used to determine contributions divided by accrued liability.

New law, for purposes of determining the maximum PBI within the schedule in prior law, specifies that the funded percentage shall be determined before any allocation to the experience account.

Prior law provided that the amortization period for most actuarial changes, gains, or losses shall be permanently reduced from 30 years to 20 years in the June 30th system valuation following the fiscal year in which a system first attains a funded percentage of 85% or greater.

New law changes the trigger from 85% to 72% for LSERS and to 70% for the other three state retirement systems.

Prior law provided that, effective for the June 30, 2019 valuation, actuarial gains allocated to the experience account shall be amortized as a loss with level payments over a ten-year period.

New law provides for this ten-year loss amortization to begin with the first system valuation following June 30, 2015, in which an allocation is made to the system's experience account.

Prior law provided for multiple employer contribution rates at LASERS and Teachers' for the various specialty plans within each system.

New law retains prior law and consolidates all K-12 employee groups at Teachers' into a single plan for rate purposes.

Prior law, relative to LASERS and Teachers', provided for special amortization bases called the original amortization base (OAB) and the experience account amortization base (EAAB). Provided for increasing payment schedules for these debts. Provided for application of annual "hurdle" payments, from investment earnings above a certain target, to extinguish these debts.

New law retains prior law.

Prior law provided for hurdle payments on LSERS' and Troopers' oldest debts.

New law retains prior law.

Prior law provided that, after a hurdle payment is made, the net remaining debt to which the payment is applied to shall not be reamortized unless the system is 85% funded.

Beginning in the 2020-2021 Fiscal Year, new law provides for reamortization of the net remaining OAB liability when moving to level-dollar payments ending in 2029 results in annual payments that are not more than the next annual payment otherwise required under prior law.

New law provides that after a system first achieves a funded percentage of 80%, the debt to which any future hurdle payment is applied shall be reamortized over the remainder of the originally established amortization period.

Until a system is 80% funded, new law further provides for reamortization of the net remaining liability after application of the hurdle payments in the 2019-2020 Fiscal Year and in every fifth fiscal year thereafter.

Prior law provided for the review of volatility of payment schedules with results reported to the Public Retirement Systems' Actuarial Committee by Nov. 1, 2019.

New law requires the review of volatility to be done following the close of Fiscal Year 2016-2017 and the report to be submitted by Nov. 1, 2017.

Prior law provided that in addition to an authorized cost-of-living adjustment, the board of trustees of the State Police Pension and Retirement System may grant a supplemental cost-of-living adjustment to all retirees and beneficiaries who are at least age 65. New law changes terminology from "cost-of-living adjustment" to "permanent benefit increase" and authorizes the board of trustees to grant a permanent benefit increase to all retirees and beneficiaries who are at least age 65 and who retired on or before June 30, 2001.

NONSUBSTANTIVE CHANGES

Prior law provided for the following for each system:

- (A) A 30-year amortization period for certain changes, gains, and losses with level-dollar amounts.
- (B) A switch to a 20-year amortization period after a system attains a designated funded percentage.
- (C) Application of annual "hurdle" payments, from investment earnings above a certain target, to extinguish certain debts.
- (D) Indexing of hurdle payments by increasing them as the system's assets increase.

- (E) Reamortization of debts subject to the hurdle payments under certain circumstances after a system attains a designated funded percentage.
- (F) Ten-year amortization of losses due to experience account allocations.
- (G) Five-year amortization of certain gains recognized in the 2014 valuation.

New law retains prior law.

Prior law, relative to LSERS, provided for:

- (H) The application of residual experience account funds on June 30, 2014, as a part of:
- (I) The consolidation of existing amortization bases.

New law retains prior law.

Prior law, relative to LASERS and Teachers', provided that:

- (J) After the OAB is liquidated, the payments that had been applied to the OAB shall be added to the hurdle payments to the EAAB.
- (K) After the EAAB is liquidated, the payments that had been applied to the EAAB shall be applied to the next oldest outstanding amortization base of debt.

New law retains prior law.

Prior law provided for (L) a volatility review of future payment schedules for each system.

New law retains prior law.

New law relative to the experience account at each system provides for:

- (M) Credits and debits to the account.
- (N) A schedule of maximum PBIs based on funded status.
- (O) Payment of "partial" PBIs in certain circumstances when funds are not available for a "full" PBI.
- (P) PBIs only every other year until a threshold of funding is attained.

New law retains prior law.

A table of the major prior law provisions that were relocated is below.

PROVISION	SYSTEM	PRESENT LAW	PROPOSED LAW
A	LASERS	R.S. 11:102(B)(3)(d)(v)(aa)(I)	R.S. 11:102(C)(2)(a)
	TRSL	R.S. 11:102(B)(3)(d)(vii)(aa)(I)	R.S. 11:102(D)(2)(a)
	LSERS	R.S. 11:102(B)(3)(d)(vi)(aa)(I)	R.S. 11:102(E)(1)
	Troopers	R.S. 11:102(B)(3)(d)(viii)(aa)(I)	R.S. 11:102(F)(1)
B	LASERS	R.S. 11:102(B)(3)(d)(v)(aa)(II)	R.S. 11:102(C)(2)(b)
	TRSL	R.S. 11:102(B)(3)(d)(vii)(aa)(II)	R.S. 11:102(D)(2)(b)
	LSERS	R.S. 11:102(B)(3)(d)(vi)(aa)(II)	R.S. 11:102(E)(3)
	Troopers	R.S. 11:102(B)(3)(d)(viii)(aa)(II)	R.S. 11:102(F)(2)

PROVISION	SYSTEM	PRESENT LAW	PROPOSED LAW
C	LASERS	R.S. 11:102(B)(3)(d)(v)(bb)(I)&(II)	R.S. 11:102.1
	TRSL	R.S. 11:102(B)(3)(d)(vii)(bb)(I)	R.S. 11:102.2
	LSERS	R.S. 11:102(B)(3)(d)(vi)(bb)(I)&(II)	R.S. 11:102.3
	Troopers	R.S. 11:102(B)(3)(d)(viii)(bb)(I)&(II)	R.S. 11:102.4
D	LASERS	R.S. 11:102(B)(3)(d)(v)(bb)(I)&(II)	R.S. 11:102.1(A)(4)
	TRSL	R.S. 11:102(B)(3)(d)(vii)(bb)(I)&(II)	R.S. 11:102.2(A)(4)
	LSERS	R.S. 11:102(B)(3)(d)(vi)(bb)(II)	R.S. 11:102.3(A)(1)(b)
	Troopers	R.S. 11:102(B)(3)(d)(viii)(bb)(II)	R.S. 11:102.4(A)(1)(b)
E	LASERS	R.S. 11:102(B)(3)(d)(v)(bb)(I)&(II)	R.S. 11:102.1(A)(4)(h)
	TRSL	R.S. 11:102(B)(3)(d)(vii)(bb)(I)&(II)	R.S. 11:102.2(A)(4)(h)
	LSERS	R.S. 11:102(B)(3)(d)(vi)(bb)(II)	R.S. 11:102.3(A)(5)
	Troopers	R.S. 11:102(B)(3)(d)(viii)(bb)(II)	R.S. 11:102.4(A)(5)
F	LASERS	R.S. 11:102(B)(3)(d)(v)(cc)	R.S. 11:102(C)(2)(c)
	TRSL	R.S. 11:102(B)(3)(d)(vii)(cc)	R.S. 11:102(D)(2)(c)
	LSERS	R.S. 11:102(B)(3)(d)(vi)(cc)	R.S. 11:102(E)(4)
	Troopers	R.S. 11:102(B)(3)(d)(viii)(cc)	R.S. 11:103(F)(3)
G	LASERS	R.S. 11:102(B)(3)(d)(v)(dd)	R.S. 11:102.5
	TRSL	R.S. 11:102(B)(3)(d)(vii)(dd)	R.S. 11:102.5
	LSERS	R.S. 11:102(B)(3)(d)(vi)(dd)	R.S. 11:102.5
	Troopers	R.S. 11:102(B)(3)(d)(viii)(dd)	R.S. 11:102.5
H	LSERS	R.S. 11:102(B)(3)(d)(vi)(ee)(I)	R.S. 11:102(E)(2)(b)
I	LSERS	R.S. 11:102(B)(3)(d)(vi)(ee)(II)	R.S. 11:102(E)(2)(a)
J	LASERS	R.S. 11:102(B)(3)(d)(v)(bb)(I)	R.S. 11:102.1(A)(4)(c)(iii), (iv)&(v)
	TRSL	R.S. 11:102(B)(3)(d)(vii)(bb)(II)	R.S. 11:102.2(A)(4)(c)(iii), (iv)&(v)
K	LASERS	R.S. 11:102(B)(3)(d)(v)(bb)(II)	R.S. 11:102.1(D)
	TRSL	R.S. 11:102(B)(3)(d)(vii)(bb)(II)	R.S. 11:102.2(A)(4)(e)&(D)
L	all	R.S. 11:102.3	R.S. 11:102.6
M	LASERS	R.S. 11:542(A)(2)&(B)	R.S. 11:542(B)(2)&(3)
	TRSL	R.S. 11:883.1(A)(2)&(B)	R.S. 11:883.1(B)(2)&(3)
	LSERS	R.S. 11:1145.1(A)(1)	R.S. 11:1145.1(A)(1)&(2)
	Troopers	R.S. 11:1332(A)(1)	R.S. 11:1332(A)(1)&(2)
N	LASERS	R.S. 11:542(C)(2)	R.S. 11:542(D)
	TRSL	R.S. 11:883.1(C)(2)	R.S. 11:883.1(D)
	LSERS	R.S. 11:1145.1(C)(2)	R.S. 11:1145.1(C)
	Troopers	R.S. 11:1332(C)(2)	R.S. 11:1332(C)
O	LASERS	R.S. 11:542(G)	R.S. 11:542(D)(4)
	TRSL	R.S. 11:883.1(H)	R.S. 11:883.1(D)(4)
	LSERS	R.S. 11:1145.1(F)	R.S. 11:1145.1(C)(4)

PROVISION	SYSTEM	PRESENT LAW	PROPOSED LAW
	Troopers	R.S. 11:1332(G)	R.S. 11:1332(C)(4)
P	LASERS	R.S. 11:542(C)(2)(e)	R.S. 11:542(D)(1)(b)
	TRSL	R.S. 11:883.1(C)(2)(e)	R.S. 11:883.1(D)(1)(b)
	LSERS	R.S. 11:1145.1(C)(2)(e)	R.S. 11:1145.1(C)(1)(b)
	Troopers	R.S. 11:1332(C)(2)(e)	R.S. 11:1332(C)(1)(b)

New law specifies that if the provisions of new law conflict with the provisions of any other Act of the 2016 Regular Session, the provisions of new law shall supersede and control regardless of the order of passage.

Effective June 30, 2016.

(Amends R.S. 11:102(B)(1), (2), (3), (a), (b), (c), and (d), (i), (ii), (iii), and (iv), (4), and (5)(a) and (b), (C), and (D), 102.1(B)(2)(b), (3)(a)(i), (4), (5), and (6) and (C)(2), (3)(a) and (c), (4), (5), and (6), 102.2(B)(2)(a), (3)(a)(i), (4), and (5) and (C)(2), (3)(a) and (c), (4), (5), and (6), 102.3, 542(A), (B), (C), (E), and (F), 883.1(A), (B), (C), (E), and (F), 927(B)(2)(a)(intro para) and (i) and (b)(i) and (3)(a), 1145.1(A), (B), (C), (D), and (E), and 1332(A), (B), (C), (D), (E), and (F); adds R.S. 11:23, 102(E) and (F), 102.1(A)(4), (B)(3)(a)(iv), and (D), 102.2(A)(4), (B)(3)(a)(iv), and (D), 102.4, 102.5, 102.6, 542(D), and 883.1(D); repeals R.S. 11:102(B)(3)(d)(v), (vi), (vii), and (viii), 542(G), 883.1(G) and (H), 1145.1(F), and 1332(G))