RÉSUMÉ DIGEST

ACT 184 (SB 18) **2023 Regular Session** **Price**

For any state or statewide retirement system existing law provides for permanent post-retirement benefit increases (PBIs), sometimes called cost-of-living adjustments or COLAs, funded directly or indirectly through employer contributions.

The state retirement systems are the La. State Employees' Retirement System (LASERS), the Teachers' Retirement System of La. (TRSL or Teachers), the La. School Employees' Retirement System (LSERS), and the La. State Police Retirement System (State Police or Troopers).

Existing law experience account (EA) is a special account within each state retirement system trust used for the accumulation of funds to provide eligible recipients with PBIs/COLAs.

When a state system's actuarially determined investment return exceeds the system's target and funds are available, existing law requires money that would otherwise go into the trust and be applied to reduce future employer contributions required to cover benefits already earned to instead be credited to the EA. Existing law requires payment of additional employer contributions over the ten years following a credit to the EA to make up for the diversion of the money into the EA, indirectly funding any PBI/COLA paid from the EA.

New law provides for the phasing out and termination of the EA and of the diversion of the investment earnings into the account and creates a new account for accumulation of funds to pay PBIs/COLAs (the PBI/COLA account). New law further provides for direct payment of additional employer contributions to be credited to the PBI/COLA account.

Existing law requires the legislature to set the required employer contribution rates at the state systems by applying a formula. Provides for payment for the current year's benefit accruals, amortization of unfunded accrued liabilities that existed in 1988, actuarial gains and losses, changes in actuarial assumptions or funding methods, changes in asset valuation methods, allocations to the EA, and administrative expenses.

New law provides for an additional component of the required employer contribution rate called the PBI/COLA account funding contribution or AFC rate and sets the AFC rate for Fiscal Year 2023-2024 at zero.

New law phases in these additional direct employer contributions. Provides that in a year when the employer rate is scheduled to drop, half of the decrease will be added to the maximum possible AFC rate until that maximum equals 2.5%.

New law, applicable to LASERS, Teachers, and LSERS, limits the effect the AFC rate can have on certain employer rates. If the sum of the projected aggregate employer contribution rate plus the maximum AFC rate will be above certain thresholds, the AFC rate to be used for that year will be reduced from the maximum and could be zero. New law specifies that this sum cannot exceed the projected aggregate employer contribution rate that will apply for Fiscal Year 2024, beginning July 1, 2023, and adds additional specifications that, beginning in Fiscal Year 2040, the sum cannot exceed 22% for LASERS and 16% for Teachers.

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

Fiscal Year	AFC rate to be applied cannot exceed
2024-2025	1.50%
2025-2026	1.75%
2026-2027	2.00%
2027-2028	2.25%

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

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

The maximum benefit increase permitted under existing law is 2% for LASERS and TRSL and 2.5% for LSERS and State Police. With growth in the funding level of a system, existing law allows a maximum benefit increase up to 3%. New law provides for a maximum 2% PBI/COLA regardless of funding level.

Existing law caps the balance in the EA at the amount needed to fund one PBI/COLA if the system is less than 80% funded and at the amount needed to fund two PBIs/COLAs if the system is 80% funded or better. New law caps the balance in the PBI/COLA account at the amount needed to fund two increases.

Existing law (R.S. 11:23) defines "funded percentage" for state systems as the valuation assets used to determine the actuarially required contributions pursuant to existing law divided by the accrued liability of the system determined by utilizing the funding method established in existing law.

New law retains existing law and specifies that the AFC payments required under new law are not actuarially required contributions.

To be eligible to receive an EA increase, existing law requires that benefits on the member's record must be paid for at least one year and, if the benefit is not based on a disability, the member's 60th birthday must have passed eligibility. Under new law, to receive an increase funded by the PBI/COLA account, will require that benefits on the member's record be paid for at least two years and, if the benefit is not based on a disability, the member's 62nd birthday must have passed.

Existing law provides for the increase funded by the EA to be paid on the first $60,000 of a benefit, indexed to reflect any rise in the consumer price index since 2015. New law provides for an increase funded by the PBI/COLA account to be paid on the first $60,000 of a benefit with no indexing.

New law retains existing law requirement for legislative approval of an Act before a system board of trustees may grant a benefit increase.

	Existing law Experience Account	New law PBI/COLA Account
maximum increase	2-2.5% currently, up to 3%	2%
payable on	$60,000 indexed since 2015	$60,000 not indexed
eligibility	age 60, 1 year of payments	age 62, 2 years of payments
funding source	indirectly by employer	directly by employer
funding payments begin	after deposit into the account	before deposit into the account
account balance cap	1 increase if $<$80% funded 2 increases if $\geq$80% funded	2 increases regardless of funding

increase authority	Legislative Act	Legislative Act

Effective June 8, 2023.

(Amends R.S. 11:102(B)(1), (2)(a), and (3)(e); adds R.S. 11:102(C)(6)(e), (D)(6)(e), (E)(5), and (F)(4), 542(G), 547, 883.1(G), 883.5, 1145.1(F), 1145.6, 1332(G), and 1332.1)