SLS 14RS-30 **ORIGINAL**

Regular Session, 2014

SENATE BILL NO. 13

BY SENATOR PEACOCK

RETIREMENT SYSTEMS. Provides for use of entry age normal valuation method by the State Employees' Retirement System and the Teachers' Retirement System. (See Act)

AN ACT

To amend and reenact R.S. 11:22(B)(6) and (13), 102.1(B)(4) and (C)(4), 102.2(B)(4) and (C)(4), 542(A)(2)(a) and (F)(2)(a), and 883.1(A)(2)(a) and (G)(2)(a), relative to the entry age normal valuation method; to provide for utilization of the method by certain state retirement systems; to provide for effective dates; and to provide for related matters.

Notice of intention to introduce this Act has been published.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 11:22(B)(6) and (13) are hereby amended and reenacted to read as follows:

§22. Methods of actuarial valuation established

* * *

B. The following funding methods shall be utilized to determine actuarially required contributions:

* * *

(6) Louisiana State Employees' Retirement System: ~~projected unit credit~~ **entry age normal**.

Coding: Words which are ~~struck through~~ are deletions from existing law; words in **boldface type and underscored** are additions.

* * *

(13) Teachers' Retirement System of Louisiana: ~~projected unit credit~~ **entry age normal**.

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Section 2. R.S. 11:102.1(B)(4) and (C)(4), 102.2(B)(4) and (C)(4), 542(A)(2)(a) and (F)(2)(a), and 883.1(A)(2)(a) and (G)(2)(a) are hereby amended and reenacted to read as follows:

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

* * *

B. Original amortization base.

* * *

(4) In any year in which the system ~~exceeds its actuarially-assumed~~ **earns a** rate of return **on the actuarial value of assets in excess of the greater of the actuarially assumed rate of return utilized in the June 30, 2013 valuation or the board-approved actuarial valuation rate**, the first fifty million dollars of excess returns shall be applied to the remaining balance of the original amortization base established in this Subsection. After such application, the net remaining liability shall **not** be reamortized ~~over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law~~.

* * *

C. Experience account amortization base.

* * *

(4) In any year in which ~~the excess returns of~~ the system **earns a rate of return on the actuarial value of assets in excess of the greater of the actuarially assumed rate of return utilized in the June 30, 2013 valuation or the board-approved actuarial valuation rate, and such excess returns** exceed the amount in Paragraph (B)(4) of this Section, the next fifty million dollars of excess returns shall be applied to the experience account amortization base established in this Subsection.

After such application, the net remaining liability shall **not** be reamortized ~~over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law~~.

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

* * *

B. Original amortization base.

* * *

(4) In any year in which the system ~~exceeds its actuarially-assumed~~ **earns a** rate of return **on the actuarial value of assets in excess of the greater of the actuarially assumed rate of return utilized in the June 30, 2013 valuation or the board-approved actuarial valuation rate**, the first one hundred million dollars of excess returns shall be applied to the remaining balance of the original amortization base established in this Subsection. After such application, the net remaining liability shall **not** be reamortized ~~over the remaining amortization period with annual payments as provided in this Subsection or as otherwise provided by law~~.

C. Experience account amortization base.

* * *

(4) In any year in which the ~~excess returns~~ **system earns a rate of return on the actuarial value of assets in excess of the greater of the actuarially assumed rate of return utilized in the June 30, 2013 valuation or the board-approved actuarial valuation rate, and such excess returns** exceed the amount in Paragraph (B)(4) of this Section, the next one hundred million dollars of excess returns shall be applied to the experience account amortization base established in this Subsection. After such application, the net remaining liability shall **not** be reamortized ~~over the remaining amortization period with annual payments calculated as provided in this Subsection or as otherwise provided by law~~.

* * *

§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, 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~~ **with the gain measured as investment earnings on the actuarial value of assets in excess of the greater of the actuarially assumed rate of return utilized in the June 30, 2013 valuation or the board-approved actuarial valuation rate**.

* * *

F. * * *

(2) No permanent benefit increase shall be authorized based on any actuarial valuation in which both of the following apply:

(a) The system fails to earn an actuarial rate of return which exceeds the **greater of the actuarially assumed rate of return utilized in the June 30, 2013 valuation or the** board-approved actuarial valuation rate.

* * *

§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, 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~~ **with the gain measured as investment earnings on the actuarial value of assets in excess of the greater of the actuarially assumed rate of return utilized in the June 30, 2013 valuation or the board-approved actuarial valuation rate**.

* * *

G. * * *

(2) No permanent benefit increase shall be authorized based on any actuarial valuation in which both of the following apply:

(a) The system fails to earn an actuarial rate of return which exceeds the **greater of the actuarially assumed rate of return utilized in the June 30, 2013 valuation or the** board-approved actuarial valuation rate.

* * *

Section 3. The provisions of Section 1 of this Act shall become effective for a system on the date the Public Retirement Systems' Actuarial Committee adopts a valuation for that system utilizing the entry age normal method of actuarial valuation.

Section 4. The provisions of Sections 2 and 3 and of this Section of this Act shall become effective on June 30, 2014, and shall be applied to each system's June 30, 2014 valuation; if vetoed by the governor and subsequently approved by the legislature, the provisions of Sections 2 and 3 and this Section of this Act shall become effective on June 30, 2014, or on the day following such approval by the legislature, whichever is later.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Laura Gail Sullivan.

DIGEST

Peacock (SB 13)

Present constitution (Art. X, Sect. 29(E)(1)) requires the legislature to establish by law the particular method of actuarial valuation to be employed by each state or statewide retirement system for purposes of attaining and maintaining the actuarial soundness of such system.

Present law (R.S. 11:4(A)(1)(a) and (b)) provides that the La. State Employees' Retirement System (LASERS) and the Teachers' Retirement System of La. (Teachers') are state retirement systems.

Proposed law retains present law.

Present law (R.S. 11:22(B)(6) and (13)) provides that LASERS' and Teachers' valuation method shall be projected unit credit.

Proposed law changes the valuation method of each system to entry age normal, effective with the adoption by the Public Retirement Systems' Actuarial Committee of a valuation for that system utilizing that method.

Present law provides for payment of the unfunded accrued liability of the systems, including payments to liquidate the original amortization base and the experience account amortization base, and for allocations to the system experience account when system investment earnings exceed a certain threshold.

Proposed law provides that allocations to the original amortization base, the experience account amortization base, and the experience account are made only from earnings in excess of the actuarially-assumed rate of return utilized in the system's June 30, 2013 valuation, or the board-approved actuarial valuation rate if higher (currently both are 8%). Provides that this threshold shall be used in each system's June 30, 2014 valuation. Specifies that application of the allocations to the amortization bases shall be without reamortization.

Effective June 30, 2014.

(Amends R.S. 11:22(B)(6) and (13), 102.1(B)(4) and (C)(4), 102.2(B)(4) and (C)(4), 542(A)(2)(a) and (F)(2)(a), and 883.1(A)(2)(a) and (G)(2)(a))