2015 Regular Session

SENATE BILL NO. 16

BY SENATOR GUILLORY

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

RETIREMENT SYSTEMS. Provides for application of excess investment earnings of the state retirement systems. (2/3 - CA10s29) (6/30/15)

AN ACT

To amend and reenact R.S. 11:102, 102.1, 102.2, 102.3, 542, 883.1, 927(B)(2)(a)(i) and (b)(i) and (3)(a), 1145.1, and 1332, and to enact R.S. 11:102.4, 102.5, and 102.6, relative to actuarial determinations for the state retirement systems; to provide for the application of investment earnings and calculation of employer contributions; to provide for the determination of the amount of, eligibility for, and timing of post retirement benefit increases funded by those earnings; to provide for an effective date; 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. 11:102, 102.1, 102.2, 102.3, 542, 883.1, 927(B)(2)(a)(i) and (b)(i) and (3)(a), 1145.1, and 1332 are hereby amended and reenacted and R.S. 11:102.4, 102.5, and 102.6 are hereby enacted to read as follows:

§102. Employer contributions; determination; state systems

A. The provisions of this Section are applicable with respect to the state public retirement systems, whose benefits are guaranteed by Article X, Section 29(A) and (B) of the Louisiana Constitution.

B.(1) Except as provided in ~~Subsection C of this Section for the Louisiana State Employees' Retirement System and Subsection D of this Section for the Teachers' Retirement System of Louisiana and except as provided in~~ R.S. 11:102.1, 102.2, **<u>102.3, 102.4, 102.5,</u>** and in Paragraph (5) of this Subsection, for each fiscal year, commencing with Fiscal Year 1989-1990, for each of the public retirement systems referenced in Subsection A of this Section, the legislature shall set the required employer contribution rate **<u>for each system or plan</u>** equal to the ~~actuarially required~~ **<u>actuarially-required</u>** employer contribution, as determined ~~under Paragraph (3) of~~ **<u>pursuant to the provisions of</u>** this ~~Subsection~~ **<u>Section</u>**, divided by the total projected payroll of all active members of each particular system **<u>or plan</u>** for the fiscal year. Each entity funding a portion of a member's salary shall also fund the employer's contribution on that portion of the member's salary at the employer contribution rate specified in this ~~Subsection~~ **<u>Section</u>**.

(2)(a) At the end of each fiscal year, the difference between the ~~actuarially required~~ **<u>actuarially-required</u>** employer contribution for the fiscal year, as determined ~~under Paragraph (3) of this Subsection or~~ pursuant to ~~Subsection C of this Section for the Louisiana State Employees' Retirement System or Subsection D of~~ **<u>the provisions of</u>** this Section ~~for the Teachers' Retirement System of Louisiana,~~ and the amount of employer contributions actually received for the fiscal year, excluding any amounts received for the extraordinary purchase of additional benefits or service, shall be determined.

(b) If the amount of employer contributions received for the fiscal year is less than the ~~actuarially required~~ **<u>actuarially-required</u>** employer contribution for the fiscal year~~,~~ due to the failure of the legislature to appropriate funds at the required employer contribution rate, the difference shall be paid by the state treasurer from the state general fund upon warrant from the governing authority of the retirement system.

(c) At the end of each fiscal year, the difference between the minimum employer contribution, as required by the Constitution of Louisiana, and the

~~actuarially required~~ **actuarially-required** employer contribution for the fiscal year, as determined ~~under Paragraph (3) of this Subsection or pursuant to Subsection C of this Section for the Louisiana State Employees' Retirement System or Subsection D of~~ **pursuant to the provisions of** this Section ~~for the Teachers' Retirement System of Louisiana,~~ shall be determined and applied in accordance with the following provisions:

(i) The amount, if any, by which the ~~actuarially required~~ **actuarially-required** contribution for a system exceeds the constitutionally required minimum contribution for that system shall be accumulated in an employer credit account which shall be adjusted annually to reflect any gain or loss attributable to the balance in the account at the actuarial rate of return earned by the system.

(ii) Except as provided in Paragraph (5) of this Subsection, annual contributions required in accordance with this ~~Subsection~~ **Section**, or the constitutional minimum if greater, may be funded in whole or in part from the employer credit account, provided the employee contribution rate or rates for the system as set forth in R.S. 11:62 has or have been reduced to an amount equal to or less than fifty percent of the annual normal cost for the system or the plan ~~as provided in Subsection C or D of this Section,~~ rounded to the nearest one-quarter percent.

~~(iii) For purposes of implementing Act No. 1331 of the 1999 Regular Session of the Legislature, the balance of the Employer Credit Account applicable to the Louisiana School Employees' Retirement System as of June 30, 1999, shall be fifty-six million seven hundred fifty-four thousand four hundred five dollars.~~

(d) Except as provided in R.S. 11:102.1 and 102.2, differences occurring for any other reason shall be added to or subtracted from the following fiscal year's ~~actuarially required~~ **actuarially-required** employer contribution in accordance with ~~Subparagraph (3)(c) of this Subsection or with Subsection C of this Section for the Louisiana State Employees' Retirement System or Subsection D~~ **the provisions** of this Section ~~for the Teachers' Retirement System of Louisiana~~.

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

(a) The employer's normal cost for that fiscal year, computed as of the first of the fiscal year using the system's actuarial funding method as specified in R.S. 11:22 and taking into account the value of future accumulated employee contributions and interest thereon, such employer's normal cost rate multiplied by the total projected payroll for all active members to the middle of that fiscal year. For the Louisiana State Employees' Retirement System, effective for the June 30, ~~2010,~~ **2010** system valuation and beginning with Fiscal Year 2011-2012, the normal cost shall be determined in accordance with Subsection C of this Section. For the Teachers' Retirement System of Louisiana, effective for the June 30, ~~2011,~~ **2011** system valuation and beginning with Fiscal Year 2012-2013, the normal cost shall be determined in accordance with Subsection D of this Section.

(b) 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, taking into account consolidation with other amortization bases, if any, as provided in R.S. 11:42, 102.1, and 102.2, and using the system's amortization method specified in R.S. 11:42, necessary to amortize the unfunded accrued liability as of June 30, 1988, such unfunded accrued liability computed using the system's actuarial funding method as specified in R.S. 11:22.

(c) Except as provided in R.S. 11:102.1 and 102.2, 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 the prior year's over or underpayment as a level dollar amount over a period of five years.

(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~~ **actuarially-assumed** interest rate, necessary to amortize changes in actuarial liability due to:

(i) ~~Except as provided in Items (v), (vi), (vii), and (viii) of this Subparagraph, actuarial~~ **Actuarial** gains and losses, if appropriate for the funding method used by the system as specified in R.S. 11:22, for each fiscal year beginning after June 30, 1988, such payments to be computed as ~~an amount forming an annuity increasing at four and one-half percent annually over the later of a period of fifteen years from the year of occurrence or by the year 2029, such gains and losses to include any increases in actuarial liability due to governing authority granted cost-of-living increases~~ **provided in Subsection C, D, E, or F of this Section**.

(ii) ~~Except as provided in Items (v), (vi), (vii), and (viii) of this Subparagraph, changes~~ **Changes** in the method of valuing of assets, such payments to be computed as ~~an amount forming an annuity increasing at four and one-half percent annually over the later of a period of fifteen years from the year of occurrence of the change or by the year 2029~~ **provided in Subsection C, D, E, or F of this Section**.

(iii) ~~Except as provided in Items (v), (vi), (vii), and (viii) of this Subparagraph, changes~~ **Changes** in actuarial assumptions or actuarial funding methods, excluding changes in methods of valuing of assets, such payments to be computed as ~~an amount forming an annuity increasing at four and one-half percent annually over the later of a period of thirty years from the year of occurrence of the change or by the year 2029~~ **provided in Subsection C, D, E, or F of this Section**.

(iv) ~~Except as provided in Items (v), (vi), (vii), and (viii) of this Subparagraph, changes~~ **Changes** in actuarial accrued liability, computed using the actuarial funding method as specified in R.S. 11:22, due to legislation changing plan provisions, such payments to be computed in the manner and over the time period specified in the legislation creating the change or, if not specified in such legislation, as ~~an amount forming an annuity increasing at four and one-half percent annually over the later of a period of fifteen years from the year of occurrence of the change or by the year 2029~~ **provided in Subsection C, D, E, or F of this Section**.

~~(v)(aa)(I) 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.~~

~~(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 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. 11:102.1 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~~

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~~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.~~

~~(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) Except as provided in Subsubitem (bb)(IV) of this Item, 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.~~

~~(III) The unused balance remaining in the experience account on June 30, 2013, after payment of a permanent benefit increase pursuant to the provisions of R.S. 11:1145.1, shall be credited in an amortization conversion account from which annual contributions required pursuant to Item (B)(3)(d)(vi)(IV) of this Section shall be funded in whole or in part for the years July 1, 2014, through June 30, 2019. Effective June 30, 2019, all funds remaining in the amortization conversion account shall be amortized as a gain in accordance with Subitem (aa) of this Item.~~

~~(IV) All outstanding amortization bases in existence on June 30, 2014, including outstanding balances established pursuant to Subparagraph (c) of this Paragraph, shall be consolidated and reamortized over the period ending June 30, 2044, with level dollar payments, effective with the June 30, 2014, valuation. This Subsection shall not apply to amortization bases established after June 30, 2014.~~

~~(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~~

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~~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.~~

(4) At the end of the fiscal year during which the assets of a system, excluding the outstanding balance due to Subparagraph (B)(3)(c) of this Section, exceed the actuarial accrued liability of that system, the amortization schedules ~~contained in~~ **<u>calculated pursuant to</u>** Subparagraphs (B)(3)(b) and (d) ~~or in~~ **<u>and</u>** Subsection C**<u>, D, E, or F</u>** of this Section ~~for the Louisiana State Employees' Retirement System or Subsection D of this Section for the Teachers' Retirement System of Louisiana~~ shall be fully liquidated and assets in excess of the actuarial accrued liability shall be amortized as a credit in accordance with the provisions of Subparagraph (B)(3)(d) **<u>and Subsection C, D, E, or F</u>** of this Section.

(5)(a) Notwithstanding ~~the provisions~~ **<u>any other provision</u>** of this Section **<u>to the contrary</u>**, the gross employer contribution rate for the Louisiana State Employees' Retirement System and the Teachers' Retirement System of Louisiana

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shall not be less than fifteen and one-half percent per year until such time as the unfunded accrued liability that existed on June 30, 2004, is fully funded.

(b) At the end of each fiscal year, the difference, if any, by which the amount of contributions received from payment of all employer contributions at the fixed minimum employer contribution rate established pursuant to this Paragraph exceeds the greater of the minimum employer contribution required by Article X, Section 29 of the Constitution of Louisiana or the statutory minimum employer contribution calculated according to the methodology provided for in ~~Items (3)(d)(i) through (iv)~~ **Subparagraph (3)(d)** of this Subsection or in ~~Paragraph (C)(4)~~ **Subsection C or D** of this Section ~~for the Louisiana State Employees' Retirement System or Paragraph (D)(4) of this Section for the Teachers' Retirement System of Louisiana~~ shall be accumulated in an employer credit account for the respective system.

(c) The employer credit account shall be adjusted annually to reflect any gain or loss attributable to the balance in the account at the actuarial rate of return earned by the system.

(d)(i) Except as provided in R.S. 11:102.1 and 102.2, the employer credit account of a system shall be used exclusively to reduce any unfunded accrued liability of that system created before July 1, 2004, and shall not be debited for any other purpose.

(ii) Effective for the June 30, 2009 system valuation and beginning July 1, 2010, any funds in the system's employer credit account shall be applied to the remaining balance of the original amortization base or the experience account amortization base established in accordance with and as further provided by R.S. 11:102.1 or 102.2.

C.(1) ~~This~~ **The provisions of this Subsection shall apply to the Louisiana State Employees' Retirement System.**

(2)(a) Except as provided in R.S. 11:102.5, effective July 1, 2004, and beginning with Fiscal Year 1998-1999, the amortization period for the changes, gains, or losses of the system provided in Items (B)(3)(d)(i) through (iv) of this

Section shall be thirty years from the year in which the change, gain, or loss occurred. The outstanding balances of amortization bases established pursuant to Items (B)(3)(d)(i) through (iv) of this Section 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 (B)(3)(d)(i) through (iv) of this Section shall be amortized as a level dollar amount. 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 this Subsection.

(b) Notwithstanding the provisions of Subparagraph (a) of this Paragraph, effective for the June thirtieth valuation following the fiscal year in which the system first attains a funded percentage of eighty or more pursuant to R.S. 11:542 and for every year thereafter, the amortization period for the changes, gains, or losses of the system provided in Items (B)(3)(d)(i) through (iv) of this Section occurring in that year or thereafter shall be twenty years from the year in which the change, gain, or loss occurred.

(c) 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.

(3) The provisions of Paragraphs (3) through (9) of this Subsection shall be applicable ~~to the Louisiana State Employees' Retirement System~~ effective for the June 30, ~~2010,~~ **2010** system valuation and beginning Fiscal Year 2011-2012. For purposes of this Subsection, "plan" or "plans" shall mean a subgroup within the system characterized by the following employee classifications:

(a) Rank-and-file members of the system.

(b) Full-time law enforcement personnel, supervisors, or administrators who are employed with the Department of Revenue or office of alcohol and tobacco control and who are P.O.S.T. certified, have the power to arrest, and hold a commission from such office.

(c) Peace officers, as defined by R.S. 40:2402(3)(a), employed by the Department of Public Safety and Corrections, office of state police, other than state troopers.

(d) Judges and court officers to whom Subpart A of Part VII of Chapter 1 of Subtitle II of this Title is applicable.

(e) Wildlife agents to whom Subpart B of Part VII of Chapter 1 of Subtitle II of this Title is applicable.

(f) Wardens, correctional officers, probation and parole officers, and security personnel employed by the Department of Public Safety and Corrections who are members of the secondary component pursuant to Subpart C of Part VII of Chapter 1 of Subtitle II of this Title.

(g) Correctional officers, probation and parole officers, and security personnel employed by the Department of Public Safety and Corrections who are members of the primary component.

(h) Legislators, the governor, and the lieutenant governor.

(i) Employees of the bridge police section of the Crescent City Connection Division of the Department of Transportation and Development.

(j) Hazardous duty plan members as provided pursuant to R.S. 11:611 et seq.

(k) Judges as provided pursuant to R.S. 11:62(5)(a)(iii) and 444(A)(1)(a)(ii).

(l) Harbor Police Retirement Plan members as provided pursuant to R.S. 11:631.

(m) Any other specialty retirement plan provided for a subgroup of system members. If the legislation enacting such a plan is silent as to the application of this Subsection, the Public Retirement Systems' Actuarial Committee shall provide for the application to such plan.

~~(2) For the Louisiana State Employees' Retirement System, effective~~ **(4) Effective** for the June 30, ~~2010,~~ **2010** system valuation and beginning with Fiscal Year 2011-2012, the normal cost calculated pursuant to Subparagraph (B)(3)(a) of this Section, shall be calculated separately for each particular plan within the system. An employer shall pay employer contributions for each employee at the rate applicable to the plan of which that employee is a member.

~~(3) For the Louisiana State Employees' Retirement System, effective~~ **(5) Effective** for the June 30, ~~2010,~~ **2010** system valuation and beginning with Fiscal Year 2011-2012, changes in actuarial liability due to legislation, changes in governmental organization, or reclassification of employees or positions shall be calculated individually for each particular plan within the system based on each plan's actuarial experience as further provided in Subparagraph ~~(4)(c)~~ **(6)(c)** of this Subsection.

~~(4)~~**(6)** For each plan referenced in Paragraph ~~(1)~~ **(3)** of this Subsection, the legislature shall set the required employer contribution rate equal to the sum of the following:

(a) The particularized normal cost rate. The normal cost rate for each fiscal year shall be the employer's normal cost for the plan computed by applying the method specified in R.S. 11:102(B)(1) and (3)(a) to the plan.

(b) The shared unfunded accrued liability rate. (i) Except as provided in Item (ii) of this Subparagraph, a single rate shall be computed for each fiscal year, applicable to all plans for actuarial changes, gains, and losses existing on June 30, 2010, or occurring thereafter, including experience and investment gains and losses, which are independent of the existence of the plans listed in Paragraph ~~(1)~~ **(3)** of this Subsection, the payment and rate therefor shall be calculated as provided in **this Subsection and** Paragraphs (B)(1) and (3) of this Section.

(ii) The shared unfunded accrued liability rate applicable to the Harbor Police Retirement System shall not include any unfunded accrued liability incurred on or before July 1, 2015, until the earlier of:

(aa) July 1, 2022.

(bb) The date that all sums payable by the Port of New Orleans to the board of trustees of the Louisiana State Employees' Retirement System pursuant to the terms and conditions of a cooperative endeavor agreement between the board of trustees of the Louisiana State Employees' Retirement System, the board of commissioners of the Port of New Orleans, and the board of trustees of the Harbor Police Retirement System regarding the merger of the Harbor Police Retirement System into the Louisiana State Employees' Retirement System have been paid in full.

(c) The particularized unfunded accrued liability rate. For actuarial changes, gains, and losses, excluding experience and investment gains and losses, first recognized in the June 30, ~~2010,~~ **2010** valuation or in any later valuation, attributable to one or more, but not all, plans listed in Paragraph ~~(1)~~ **(3)** of this Subsection or to some new plan or plans, created, implemented, or enacted after July 1, 2010, a particularized contribution rate shall be calculated as provided in **this Subsection and** Paragraphs (B)(1) and (3) of this Section.

(d) The shared gross employer contribution rate difference. The gross employer contribution rate difference shall be the difference between the minimum gross employer contribution rate provided in Paragraph (B)(5) of this Section and the aggregate employer contribution rate calculated pursuant to the provisions of Subsection B of this Section.

~~(5)~~**(7)** Each entity funding a portion of the member's salary shall also fund the employer's contribution on that portion of the member's salary at the employer contribution rate specified in this Subsection.

~~(6)~~**(8)** For purposes of Paragraph (B)(2) of this Section the ~~actuarially required~~ **actuarially-required** employer contributions and the employer contributions actually received for all plans shall be totaled and treated as a single contribution.

~~(7)~~**(9)** If provisions of this Section cover matters not specifically addressed by the provisions of this Subsection, then those provisions shall be applicable.

D.(1) ~~This~~ **The provisions of this Subsection shall apply to the Teachers' Retirement System of Louisiana.**

(2)(a) Except as provided in R.S. 11:102.5, effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the amortization period for the changes, gains, or losses of the system provided in Items (B)(3)(d)(i) through (iv) of this Section shall be thirty years from the year in which the change, gain, or loss occurred. The outstanding balances of amortization bases established pursuant to Items (B)(3)(d)(i) through (iv) of this Section 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 (B)(3)(d)(i) through (iv) of this Section shall be amortized as a level dollar amount. 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 this Subsection.

(b) Notwithstanding the provisions of Subparagraph (a) of this Paragraph, effective for the June thirtieth valuation following the fiscal year in which the system first attains a funded percentage of eighty or more pursuant to R.S. 11:883.1 and for every year thereafter, the amortization period for the changes, gains, or losses of the system provided in Items (B)(3)(d)(i) through (iv) of this Section occurring in that year or thereafter shall be twenty years from the year in which the change, gain, or loss occurred.

(c) 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.

(3) The provisions of Paragraphs (3) through (9) of this Subsection shall be applicable ~~to the Teachers' Retirement System of Louisiana~~ effective for the June 30, ~~2011,~~ **2011** system valuation and beginning Fiscal Year 2012-2013. For purposes of this Subsection, "plan" or "plans" shall mean a subgroup within the system characterized by the following employee classifications:

(a) ~~School lunch Plan A.~~

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

~~(b) School lunch Plan B.~~

~~(c)~~ Employees of an institution of postsecondary education, the Board of Regents, or a postsecondary education management board who are not employed for the sole purpose of providing instruction or administrative services at the primary or secondary level, including at any lab school and the Louisiana School for Math, Science, and the Arts.

~~(d)~~**(b)** Any other specialty retirement plan provided for a subgroup of system members. If the legislation enacting such a plan is silent as to the application of this Subsection, the Public Retirement Systems' Actuarial Committee shall provide for the application to such plan.

~~(e)~~**(c)** All other teachers, as defined in R.S. 11:701(33)**, including members paid from school food service funds as provided in R.S. 11:801 and 811**.

~~(2) For the Teachers' Retirement System of Louisiana, effective~~ **(4) Effective** for the June 30, ~~2011,~~ **2011** system valuation and beginning with Fiscal Year 2012-2013, the normal cost calculated pursuant to Subparagraph (B)(3)(a) of this Section, shall be calculated separately for each particular plan within the system. An employer shall pay employer contributions for each employee at the rate applicable to the plan of which that employee is a member.

~~(3) For the Teachers' Retirement System of Louisiana, effective~~ **(5) Effective** for the June 30, ~~2011,~~ **2011** system valuation and beginning with Fiscal Year 2012-2013, changes in actuarial liability due to legislation, changes in governmental organization, or reclassification of employees or positions shall be calculated individually for each particular plan within the system based on each plan's actuarial experience as further provided in Subparagraph ~~(4)(c)~~ **(6)(c)** of this Subsection.

~~(4)~~**(6)** For each plan referenced in Paragraph ~~(1)~~ **(3)** of this Subsection, the legislature shall set the required employer contribution rate equal to the sum of the following:

(a) The particularized normal cost rate. The normal cost rate for each fiscal year shall be the employer's normal cost for employees in the plan computed by applying the method specified in Paragraph (B)(1) and Subparagraph (B)(3)(a) of this Section to the plan.

(b) The shared unfunded accrued liability rate. A single rate shall be computed for each fiscal year, applicable to all plans for actuarial changes, gains, and losses existing on June 30, 2011, or occurring thereafter, including experience and investment gains and losses, which are independent of the existence of the plans listed in Paragraph ~~(1)~~ **(3)** of this Subsection, the payment and rate therefor shall be calculated as provided in **this Subsection and** Paragraphs (B)(1) and (3) of this Section.

(c) The particularized unfunded accrued liability rate. For actuarial changes, gains, and losses, excluding experience and investment gains and losses, first recognized in the June 30, ~~2011,~~ **2011** valuation or in any later valuation, attributable to one or more, but not all, plans listed in Paragraph ~~(1)~~ **(3)** of this Subsection or to some new plan or plans, created, implemented, or enacted after July 1, 2011, a particularized contribution rate shall be calculated as provided in **this Subsection and** Paragraphs (B)(1) and (3) of this Section.

(d) The shared gross employer contribution rate difference. The gross employer contribution rate difference shall be the difference between the minimum gross employer contribution rate provided in Paragraph (B)(5) of this Section and the aggregate employer contribution rate calculated pursuant to the provisions of Subsection B of this Section.

~~(5)~~**(7)** Each entity funding a portion of the member's salary shall also fund the employer's contribution on that portion of the member's salary at the employer contribution rate specified in this Subsection.

~~(6)~~**(8)** For purposes of Paragraph (B)(2) of this Section the ~~actuarially required~~ **actuarially-required** employer contributions and the employer contributions actually received for all plans shall be totaled and treated as a single contribution.

~~(7)~~**(9)** If provisions of this Section cover matters not specifically addressed by the provisions of this Subsection, then those provisions shall be applicable.

E.(1) Except as provided in Paragraph (2) of this Subsection and in R.S. 11:102.5, 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 (B)(3)(d)(i) through (iv) of this Section shall be thirty years from the year in which the change, gain, or loss occurred. The outstanding balances of amortization bases established pursuant to Items (B)(3)(d)(i) through (iv) of this Section 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 (B)(3)(d)(i) through (iv) of this Section shall be amortized as a level dollar amount.

(2)(a) All outstanding amortization bases in existence on June 30, 2014, including outstanding balances established pursuant to Subparagraph (B)(3)(c) of this Section, shall be consolidated and reamortized over the period ending June 30, 2044, with level dollar payments, effective with the June 30, 2014 valuation. This Paragraph shall not apply to amortization bases established after June 30, 2014.

(b) After payment of a permanent benefit increase pursuant to the provisions of R.S. 11:1145.1, the unused portion of the June 30, 2013 experience account balance shall be credited in an amortization conversion account from which annual contributions required pursuant to Subparagraph (a) of this Paragraph shall be funded in whole or in part for the years July 1, 2014, through June 30, 2019. Effective June 30, 2019, all funds remaining in the amortization conversion account shall be amortized as a gain in accordance with the provisions of this Subsection.

(3) Notwithstanding the provisions of Paragraph (1) of this Subsection, effective for the June thirtieth valuation following the fiscal year in which the

system first attains a funded percentage of eighty or more pursuant to R.S. 11:1145.1 and for every year thereafter, the amortization period for the changes, gains, or losses of the system provided in Items (B)(3)(d)(i) through (iv) of this Section occurring in that year or thereafter shall be twenty years from the year in which the change, gain, or loss occurred.

(4) 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.

F.(1) Except as provided in R.S. 11:102.5, 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 (B)(3)(d)(i) through (iv) of this Section shall be thirty years from the year in which the change, gain, or loss occurred. The outstanding balances of amortization bases established pursuant to Items (B)(3)(d)(i) through (iv) of this Section 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 (B)(3)(d)(i) through (iv) of this Section shall be amortized as a level dollar amount.

(2) Notwithstanding the provisions of Paragraph (1) of this Subsection, effective for the June thirtieth valuation following the fiscal year in which the system first attains a funded percentage of eighty or more pursuant to R.S. 11:1332 and for every year thereafter, the amortization period for the changes, gains, or losses of the system provided in Items (B)(3)(d)(i) through (iv) of this Section occurring in that year or thereafter shall be twenty years from the year in which the change, gain, or loss occurred.

(3) 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.

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

§102.1. ~~Consolidation of amortization~~ **Amortization** payment schedules; **priority excess return allocations;** Louisiana State Employees' Retirement System

A.(1) For the Louisiana State Employees' Retirement System, effective for the June 30, 2009 system valuation and with payments beginning July 1, 2010, all amortization bases existing on July 1, 2008, shall be consolidated as provided in this Section.

(2) There shall be two consolidated amortization bases calculated and amortized as provided in this Section. Any existing amortization base not included in a consolidated base pursuant to this Section shall remain separate and continue to be amortized and funded as otherwise provided by law.

(3) Beginning with Fiscal Year 2008-2009 and for each fiscal year thereafter, that year's changes, gains, and losses shall be calculated and payments therefor determined as provided in R.S. 11:102, except as otherwise specified in this Section.

(4) For purposes of this Section, the following shall apply:

(a) "Primary priority amount" shall mean the maximum amount of system returns in excess of the system's actuarially-assumed rate of return that may be applied to the original amortization base, regardless of whether actual returns that equal or exceed the maximum are available, and shall equal:

(i) For the June 30, 2015 valuation, fifty million dollars.

(ii) For each valuation thereafter, the prior year's primary priority amount increased by the percentage increase in the system's actuarial value of assets for the prior year, if any.

(b) "Primary allocation" shall mean the actual returns available for application to the original amortization base.

(c) "Secondary priority amount" shall mean the maximum amount of system returns in excess of the system's actuarially-assumed rate of return that may be applied to the experience account amortization base, regardless of whether actual returns that equal or exceed the maximum are available, and

shall equal:

(i) For the June 30, 2015 valuation, fifty million dollars.

(ii) For each valuation thereafter, before the original amortization base is liquidated, the prior year's secondary priority amount increased by the percentage increase in the system's actuarial value of assets for the prior year, if any.

(iii) For the valuation in which the original amortization base is liquidated, that year's secondary priority amount calculated pursuant to Item (ii) of this Subparagraph plus any money from that year's primary priority amount remaining after liquidation of the original amortization base.

(iv) For the first valuation after the original amortization base is liquidated, the portion of the prior year's primary priority amount that was necessary to liquidate the original amortization base plus the prior year's secondary priority amount, both increased by the percentage increase in the system's actuarial value of assets for the prior year, if any.

(v) For the second valuation after the original amortization base is liquidated and for each valuation thereafter, the prior year's secondary priority amount increased by the percentage increase in the system's actuarial value of assets for the prior year, if any.

(d) "Secondary allocation" shall mean the actual returns available for application to the experience account amortization base.

(e) "Residual priority amount" shall mean the maximum amount of system returns in excess of the system's actuarially-assumed rate of return that may be applied to the oldest outstanding positive amortization base after liquidation of the experience account amortization base, regardless of whether actual returns that equal or exceed the maximum are available, and shall equal:

(i) For the valuation in which the experience account amortization base is liquidated, the money from that year's secondary allocation remaining after liquidation of the experience account amortization base, if any.

(ii) For the first valuation after the experience account amortization base is liquidated, the prior year's secondary priority amount, increased by the percentage increase in the system's actuarial value of assets for the prior year, if any.

(iii) For the second valuation after the experience account amortization base is liquidated and for each valuation thereafter, the prior year's residual priority amount increased by the percentage increase in the system's actuarial value of assets for the prior year, if any.

(f) "Residual allocation" shall mean the actual returns available for application to the oldest outstanding positive amortization base after liquidation of the experience account amortization base.

(g) In no event shall the total of one year's priority amounts be less than the total of the previous year's priority amounts.

(h) Effective for the June thirtieth valuation following the fiscal year in which the system first attains a funded percentage of eighty or more pursuant to R.S. 11:542, the net remaining liability of the amortization base to which the funds are applied shall be reamortized with annual level dollar payments calculated as provided in R.S. 11:102 over the remainder of the amortization period originally established for that amortization base. Except as provided in Item (B)(3)(a)(iv) and Subparagraph (C)(3)(d) of this Section, for every valuation before that year, the net remaining liability of the amortization base to which the funds are applied shall not be reamortized after such application.

B. Original amortization base.

(1) The remaining balances of outstanding amortization bases in excess of twenty years for the years 1993 through 1995, 1997 and 1998, and 2005 through 2007, excluding the amortization base for liability created by Act No. 414 of the 2007 Regular Session of the Legislature, as specified in the June 30, 2008 system valuation adopted by the Public Retirement Systems' Actuarial Committee on February 5, 2009, shall be consolidated into a single amortization base effective for

the June 30, 2009 system valuation with payments beginning on July 1, 2010.

(2)(a) To this base shall be applied any monies in the separate fund known alternatively as the "Texaco Account" or the "Initial Unfunded Accrued Liability Account" on June 30, 2010, and any appropriation provided in the 2009 Regular Session of the Legislature.

(b) The balance in this account as of June 30, 2008, exclusive of any subaccount balance, shall be credited with interest at the system's actuarially-assumed interest rate until the funds in the account are applied as provided in this Subsection.

(3)(a) This consolidated amortization base shall be known as the "original amortization base" and shall be amortized with annual payments calculated as follows:

(i) For Fiscal Year 2010-2011, the projected payment shall be the amount specified in the June 30, 2009 system valuation adopted by the Public Retirement Systems' Actuarial Committee pursuant to R.S. 11:127. The actuarially-required contribution shall be determined in accordance with the provisions of R.S. 11:102 in the June 30, 2010 system valuation adopted by the committee.

(ii) Payments thereafter shall form an annuity increasing at six and one-half percent for one year, at five and one-half percent annually for the following four years, and at five percent annually for the following two years.

(iii) Beginning in Fiscal Year 2018-2019, the payments shall be amortized over the remaining period with payments forming an annuity increasing at two percent annually.

(iv) Notwithstanding any provision of this Section to the contrary, the net remaining liability shall be reamortized over the remainder of the amortization period ending in 2029 in the first valuation for which this reamortization results in annual level dollar payments that do not exceed the payment otherwise required for that year's valuation.

(b) The first payment after this consolidation shall be made in Fiscal Year

2010-2011 and the final payment shall be made no later than Fiscal Year 2028-2029.

(4)~~(a)~~ Except as provided in Paragraph (6) of this Subsection, in any year in which the system exceeds its actuarially-assumed rate of return, ~~the excess returns, up to the first fifty million for the June 30, 2015, valuation,~~ **<u>the primary allocation</u>** 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) 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. ~~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,~~ **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.

(1) The remaining balances of outstanding amortization bases for the years 1996, 1999 through 2004, and 2008, as specified in the system valuation adopted by the Public Retirement Systems' Actuarial Committee on February 5, 2009, shall be consolidated into a single amortization base, effective for the June 30, 2009 system valuation with payments beginning on July 1, 2010.

(2) To this shall be applied the balance in the experience account or the balance in the subaccount of the Texaco Account created pursuant to R.S. 11:542~~(A)(1)(b)(iii)~~.

(3) This consolidated amortization base shall be known as the "experience account amortization base" and shall be amortized with annual payments over a thirty-year period beginning in Fiscal Year 2010-2011 as follows:

(a) For Fiscal Year 2010-2011, the projected payment shall be the amount specified in the June 30, 2009 system valuation adopted by the Public Retirement Systems' Actuarial Committee pursuant to R.S. 11:127. The actuarially-required contribution shall be determined in accordance with the provisions of R.S. 11:102 in the June 30, 2010 system valuation adopted by the committee.

(b) Payments thereafter shall form an annuity increasing at six and one-half percent for one year, five and one-half percent for the following four years, and five percent for the following two years.

(c) Beginning in Fiscal Year 2018-2019, the outstanding balance shall be amortized over the remaining period with annual level dollar payments.

(d) Notwithstanding any provision of this Section to the contrary, the net remaining liability shall be reamortized over the remainder of the amortization

period ending in 2040 in the first valuation for which this reamortization results in annual level dollar payments that do not exceed the payment otherwise required for that valuation.

(4)~~(a)~~ Except as provided in Paragraph (6) of this Subsection, in any year **before the liquidation of the Original Amortization Base** in which the excess returns of the system exceed the **primary priority** amount ~~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~~, **the secondary allocation** 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.~~ **In the year in which the Original Amortization Base is liquidated and for each year thereafter until the Experience Account Amortization Base is liquidated, the secondary allocation shall be applied to the Experience Account Amortization Base.**

~~(b) 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. ~~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,~~ **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.

D.(1) If both the original amortization base and the experience account amortization base have been liquidated, the residual allocation shall be applied to the system's oldest outstanding positive amortization base, excluding any liability established pursuant to R.S. 11:102(B)(2)(a) or (3)(c) or (C)(6)(c) until all such bases are completely liquidated. After the final base is completely liquidated, the assets shall be treated as provided in R.S. 11:102(B)(4).

(2) If there are multiple positive bases of the same age and the same duration, all such bases shall be collapsed into a single base for purposes of this Subsection.

(3) If there are multiple positive bases of the same age but of different durations, the oldest outstanding positive amortization base with the shortest remaining amortization period shall be treated as the "oldest" for purposes of this Subsection.

§102.2. ~~Consolidation of amortization~~ **Amortization** payment schedules; **priority excess return allocations;** Teachers' Retirement System of Louisiana

A.(1) For the Teachers' Retirement System of Louisiana, effective for the June 30, 2009 system valuation and with annual payments beginning July 1, 2010, all amortization bases existing on July 1, 2008, shall be consolidated as provided in this Section.

(2) There shall be two consolidated amortization bases calculated and amortized as provided in this Section.

(3) Beginning with Fiscal Year 2008-2009 and for each fiscal year thereafter, that year's changes, gains, and losses shall be calculated and payments therefor determined as provided in R.S. 11:102, except as otherwise specified in this Section.

(4) For purposes of this Section, the following shall apply:

(a) "Primary priority amount" shall mean the maximum amount of system returns in excess of the system's actuarially-assumed rate of return that may be applied to the original amortization base, regardless of whether actual returns that equal or exceed the maximum are available, and shall equal:

(i) For the June 30, 2015 valuation, one hundred million dollars.

(ii) For each valuation thereafter, the prior year's primary priority amount increased by the percentage increase in the system's actuarial value of assets for the prior year, if any.

(b) "Primary allocation" shall mean the actual returns available for application to the original amortization base.

(c) "Secondary priority amount" shall mean the maximum amount of system returns in excess of the system's actuarially-assumed rate of return that may be applied to the experience account amortization base, regardless of whether actual returns that equal or exceed the maximum are available, and shall equal:

(i) For the June 30, 2015 valuation, one hundred million dollars.

(ii) For each valuation thereafter, before the original amortization base is liquidated, the prior year's secondary priority amount increased by the percentage increase in the system's actuarial value of assets for the prior year,

if any.

(iii) For the valuation in which the original amortization base is liquidated, that year's secondary priority amount calculated pursuant to Item (ii) of this Subparagraph plus any money from that year's primary priority amount remaining after liquidation of the original amortization base.

(iv) For the first valuation after the original amortization base is liquidated, the portion of the prior year's primary priority amount that was necessary to liquidate the original amortization base plus the prior year's secondary priority amount, both increased by the percentage increase in the system's actuarial value of assets for the prior year, if any.

(v) For the second valuation after the original amortization base is liquidated and for each valuation after, the prior year's secondary priority amount increased by the percentage increase in the system's actuarial value of assets for the prior year, if any.

(d) "Secondary allocation" shall mean the actual returns available for application to the experience account amortization base.

(e) "Residual priority amount" shall mean the maximum amount of system returns in excess of the system's actuarially-assumed rate of return that may be applied to the oldest outstanding positive amortization base after liquidation of the experience account amortization base, regardless of whether actual returns that equal or exceed the maximum are available, and shall equal:

(i) For the valuation in which the experience account amortization base is liquidated, the money from that year's secondary allocation remaining after liquidation of the experience account amortization base, if any.

(ii) For the first valuation after the experience account amortization base is liquidated, the prior year's secondary priority amount, increased by the percentage increase in the system's actuarial value of assets for the prior year, if any.

(iii) For the second valuation after the experience account amortization

base is liquidated and for each valuation after, the prior year's residual priority amount increased by the percentage increase in the system's actuarial value of assets for the prior year, if any.

(f) "Residual allocation" shall mean the actual returns available for application to the oldest outstanding positive amortization base after liquidation of the experience account amortization base.

(g) In no event shall the total of one year's priority amounts be less than the total of the previous year's priority amounts.

(h) Effective for the June thirtieth valuation following the fiscal year in which the system first attains a funded percentage of eighty or more pursuant to R.S. 11:883.1, the net remaining liability of the amortization base to which funds are applied pursuant to this Section shall be reamortized with annual level dollar payments calculated as provided in R.S. 11:102 over the remainder of the amortization period originally established for that amortization base. Except as provided in Item (B)(3)(a)(iv) or Subparagraph (C)(3)(d) of this Section, for every valuation before that year, the net remaining liability of the amortization base to which the funds are applied shall not be reamortized after such application.

B. Original amortization base.

(1) The remaining balances of outstanding amortization bases for the years 1993 through 1996, 1998 through 2000, and 2005 through 2008 as specified in the June 30, 2008 system valuation adopted by the Public Retirement Systems' Actuarial Committee on February 5, 2009, shall be consolidated into a single amortization base effective for the June 30, 2009 system valuation with payments beginning on July 1, 2010.

(2)(a) To this base shall be applied any monies in the separate fund known alternatively as the "Texaco Account" or the "Initial Unfunded Accrued Liability Account" on June 30, 2010, and any appropriation provided in the 2009 Regular Session of the Legislature. The balance in this account as of June 30, 2008, exclusive of any subaccount balance, shall be credited with interest at the system's actuarially-assumed interest rate until the funds in the account are applied as provided in this Subsection.

(b) To this base shall also be applied any monies in the employer credit account on June 30, 2010.

(3)(a) This consolidated amortization base shall be known as the "original amortization base" and shall be amortized with annual payments calculated as follows:

(i) For Fiscal Year 2010-2011, the projected payment shall be the amount specified in the June 30, 2009 system valuation adopted by the Public Retirement Systems' Actuarial Committee pursuant to R.S. 11:127. The actuarially-required contribution shall be determined in accordance with the provisions of R.S. 11:102 in the June 30, 2010 system valuation adopted by the committee.

(ii) Payments thereafter shall form an annuity increasing at seven percent annually for three years and at six and one-half percent annually for the following four years.

(iii) Beginning in Fiscal Year 2018-2019, the payments shall be amortized over the remaining period with payments forming an annuity increasing at two percent annually.

(iv) Notwithstanding any provision of this Section to the contrary, the net remaining liability shall be reamortized over the remainder of the amortization period ending in 2029 in the first valuation for which this reamortization results in annual level dollar payments that do not exceed the payment otherwise required for that valuation.

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

(4)~~(a)~~ Except as provided in Paragraph (5) of this Subsection, in any year in which the system exceeds its actuarially-assumed rate of return, ~~the excess returns, up to the first one hundred million dollars for the June 30, 2015, valuation,~~ **the**

<u>primary allocation</u> 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) 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,~~ **<u>2014</u>** 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.

(1) The remaining balances of outstanding amortization bases for the years 1997, 2001 through 2004, and 2008, as specified in the system valuation adopted by the Public Retirement Systems' Actuarial Committee on February 5, 2009, shall be consolidated into a single amortization base, effective for the June 30, 2009 system valuation with payments beginning on July 1, 2010.

(2) To this shall be applied the balance in the experience account or the balance in the subaccount of the Texaco Account created pursuant to R.S. 11:883.1~~(A)(1)(b)(iii)~~.

(3) This consolidated amortization base shall be known as the "experience account amortization base" and shall be amortized with annual payments over a thirty-year period beginning in Fiscal Year 2010-2011 calculated as follows:

(a) For Fiscal Year 2010-2011, the projected payment shall be the amount specified in the June 30, 2009 system valuation adopted by the Public Retirement Systems' Actuarial Committee pursuant to R.S. 11:127. The actuarially-required contribution shall be determined in accordance with the provisions of R.S. 11:102 in the June 30, 2010 system valuation adopted by the committee.

(b) Payments thereafter shall form an annuity increasing at seven percent annually for three years and at six and one-half percent annually for the following four years.

(c) Beginning in Fiscal Year 2018-2019, the outstanding balance shall be amortized over the remaining period with annual level dollar payments.

(d) Notwithstanding any provision of this Section or any other law to the contrary, the net remaining liability shall be reamortized over the remainder of the amortization period ending in 2040 in the first valuation for which this reamortization results in annual level dollar payments that do not exceed the payment otherwise required for that valuation.

(4)~~(a)~~ Except as provided in Paragraph (6) of this Subsection, in any year **before the liquidation of the Original Amortization Base** in which the excess returns of the system exceed the **primary priority** amount ~~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~~, **the secondary allocation** 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.~~ **In the year in which the Original Amortization Base is liquidated and for each year thereafter until the Experience Account Amortization Base is liquidated, the secondary allocation shall be applied to the Experience Account Amortization Base.**

~~(b) 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. ~~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,~~ **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.

D.(1) If both the original amortization base and the experience account amortization base have been liquidated, the residual allocation shall be applied

to the system's oldest outstanding positive amortization base, excluding any liability established pursuant to R.S. 11:102(B)(2)(a) or (3)(c) or (D)(6)(c), until all such bases are completely liquidated. After the final base is completely liquidated, the assets shall be treated as provided in R.S. 11:102(B)(4).

(2) If there are multiple positive bases of the same age and the same duration, all such bases shall be collapsed into a single base for purposes of this Subsection.

(3) If there are multiple positive bases of the same age but of different durations, the oldest outstanding positive amortization base with the shortest remaining amortization period shall be treated as the "oldest" for purposes of this Subsection.

§102.3. Priority excess return allocations; Louisiana School Employees' Retirement System

A. For purposes of this Section, the following shall apply:

(1) "Priority amount" shall mean the maximum amount of system returns in excess of the system's actuarially-assumed rate of return that may be applied to the oldest outstanding positive amortization base, regardless of whether actual returns that equal or exceed the maximum are available, and shall equal:

(a) For the June 30, 2015 valuation, fifteen million dollars.

(b) For each valuation thereafter, the prior year's priority amount increased by the percentage increase in the system's actuarial value of assets for the prior year, if any.

(2) "Priority allocation" shall mean the actual returns available for application to the oldest outstanding positive amortization base.

(3) For any valuation in which the oldest outstanding positive amortization base is liquidated without using the full amount of the priority allocation, the remaining amount from that year's priority allocation after liquidation of the oldest base shall be applied to the next oldest base.

(4) In no event shall one year's priority amount be less than the previous year's priority amount.

(5) Effective for the June thirtieth valuation following the fiscal year in which the system first attains a funded percentage of eighty or more pursuant to R.S. 11:1145.1, the net remaining liability of the amortization base to which the funds are applied shall be reamortized with annual level dollar payments calculated as provided in R.S. 11:102 over the remainder of the amortization period originally established for that amortization base. For every valuation before that year, the net remaining liability of the amortization base to which the funds are applied shall not be reamortized after such application.

B.(1) 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 actuarially-assumed rate of return, the system shall apply the priority allocation to the oldest outstanding positive amortization base of the system, excluding any amortization base established to amortize a liability pursuant to R.S. 11:102(B)(2)(a) or (3)(c) until all such bases are completely liquidated. After the final base is completely liquidated, the assets shall be treated as provided in R.S. 11:102(B)(4).

(2) If there are multiple positive bases of the same age and the same duration, all such bases shall be collapsed into a single base for purposes of this Subsection.

(3) If there are multiple positive bases of the same age but of different durations, the oldest outstanding positive amortization base with the shortest remaining amortization period shall be treated as the "oldest" for purposes of this Subsection.

C. Effective for the June 30, 2014 valuation, if the system's investment experience for the fiscal year exceeds the system's actuarially-assumed rate of return, the system shall apply the excess investment experience returns, up to a maximum of 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 pursuant to R.S. 11:102(B)(2)(a) or (3)(c) without reamortization of such base.

§102.4. Priority excess return allocations; State Police Retirement System

A. For purposes of this Section, the following shall apply:

(1) "Priority amount" shall mean the maximum amount of system returns in excess of the system's actuarially-assumed rate of return that may be applied to the oldest outstanding positive amortization base, regardless of whether actual returns that equal or exceed the maximum are available, and shall equal:

(a) For the June 30, 2015 valuation, five million dollars.

(b) For each valuation thereafter, the prior year's priority amount increased by the percentage increase in the system's actuarial value of assets for the prior year, if any.

(2) "Priority allocation" shall mean the actual returns available for application to the oldest outstanding positive amortization base.

(3) For any valuation in which the oldest outstanding positive amortization base is liquidated without using the full amount of the priority allocation, the remaining amount from that year's priority allocation after liquidation of the oldest base shall be applied to the next oldest base.

(4) In no event shall one year's priority amount be less than the previous year's priority amount.

(5) Effective for the June thirtieth valuation following the fiscal year in which the system first attains a funded percentage of eighty or more pursuant to R.S. 11:1332, the net remaining liability of the amortization base to which the funds are applied shall be reamortized with annual level dollar payments calculated as provided in R.S. 11:102 over the remainder of the amortization period originally established for that amortization base. For every valuation before that year, the net remaining liability of the amortization base to which

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the funds are applied shall not be reamortized after such application.

B.(1) 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 actuarially-assumed rate of return, the system shall apply the priority allocation to the oldest outstanding positive amortization base of the system, excluding any amortization base established to amortize a liability pursuant to R.S. 11:102(B)(2)(a) or (3)(c) until all such bases are completely liquidated. After the final base is completely liquidated, the assets shall be treated as provided in R.S. 11:102(B)(4).

(2) If there are multiple positive bases of the same age and the same duration, all such bases shall be collapsed into a single base for purposes of this Subsection.

(3) If there are multiple positive bases of the same age but of different durations, the oldest outstanding positive amortization base with the shortest remaining amortization period shall be treated as the "oldest" for purposes of this Subsection.

C. Effective for the June 30, 2014 valuation, if the system's investment experience for the fiscal year exceeds the system's actuarially-assumed rate of return, the system shall apply the excess investment experience returns, up to a maximum of 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 pursuant to R.S. 11:102(B)(2)(a) or (3)(c), and without reamortization of such base.

§102.5. State systems' 2014 valuation amortization period

Notwithstanding any provision of R.S. 11:102 or any other law to the contrary, for the June 30, 2014 valuation the amortization period for investment gains of the Louisiana State Employees' Retirement System, the Teachers' Retirement System of Louisiana, the Louisiana School Employees' Retirement System, and the State Police Retirement System not allocated to an amortization

base pursuant to R.S. 11:102.1, 102.2, 102.3, or 102.4 and not credited to the experience account shall be five years.

~~§102.3.~~ **§102.6.** Review of volatility

Following the close of Fiscal Year ~~2018-2019,~~ **2016-2017,** 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 recommendations for plan amendments, shall be reported to the Public Retirement Systems' Actuarial Committee by November 1, ~~2019~~ **2017**. 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 **by December 15, 2017,** on whether and what type of legislation is warranted.

* * *

§542. Experience account

A.(1)~~(a)~~ Effective July 1, 2004, the balance in the experience account shall be zero.

~~(b)~~ **(2)** Effective June 30, 2009, the balance in the experience account shall be zero. Any funds in the experience account on June 29, 2009, shall be allocated in the following order:

~~(i)~~**(a)** To provide for any net investment loss attributable to the balance in the account as provided in ~~Paragraph (B)(1)~~ **Subparagraph (B)(3)(a)** of this Section.

~~(ii)~~**(b)** To fund any permanent benefit increase or minimum benefit pursuant to ~~the Act that originated as House Bill No. 586~~ **Act 144** of the 2009 Regular Session of the Legislature.

~~(iii)~~ **(c)** To apply to the experience account amortization base as provided in R.S. 11:102.1(C)(2); however, as of June 30, 2009, these funds shall be transferred to the system's Texaco Account and retained in a subaccount of that account until that account is applied as provided in R.S. 11:102.1. The subaccount shall continue

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to be credited and debited as provided in ~~Subparagraph (A)(2)(b) and Paragraph (B)(1) of~~ this Section until such application.

B.(1) Effective for the June 30, 2015 valuation, the system's funded percentage for purposes of this Section shall be determined before any allocation to the experience account.

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

(a) To the extent permitted by ~~Paragraph (3) of this Subsection~~ **Subparagraph (c) of this Paragraph** and after allocation to the amortization bases as provided in R.S. ~~11:102(B)(3)(d)(v)(bb) and 102.1, as applicable~~ **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.

(b) To the extent permitted by ~~Paragraph (3) of this Subsection~~ **Subparagraph (c) of this Paragraph**, 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)~~ **(c)** In no event shall a credit be made to the account that would cause the balance in the experience account to exceed the reserve necessary to grant:

(i) Two permanent benefit increases determined pursuant to Subsection ~~C~~ **D** of this Section if the system is **at least** eighty percent funded ~~or greater~~.

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

~~(b)~~**(d)** If the system is less than eighty percent funded and **the account** has reserves in excess of the amounts provided for in Item ~~(a)(ii)~~ **(c)(ii)** of this Paragraph, ~~it shall not apply credits to the account pursuant to Subparagraph (2)(b) of this Subsection~~ **no amount shall be credited to the account**.

~~B.~~ **(3)** The experience account shall be debited as follows:

~~(1)~~ **(a)** An amount equal to that portion of the system's net investment loss attributable to the balance in the experience account during the prior year.

~~(2)~~ **(b)** An amount sufficient to fund a permanent benefit increase granted pursuant to ~~Subsection C~~ **the provisions** of this Section.

~~(3)~~ **(c)** In no event shall the amount in the experience account fall below zero.

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 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. ~~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. 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.~~

D.(1) No increase shall be granted if one or more of the following apply:

(a) The system is less than fifty-five percent funded.

(b) The system is at least fifty-five percent funded but less than eighty percent funded and the legislature granted a benefit increase in the preceding fiscal year.

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(c) The system is less than eighty percent funded and the system fails to earn an actuarial rate of return which exceeds the board-approved actuarial valuation rate.

(2) 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 the amount required pursuant to Subparagraph (a) or (b) of this Paragraph. If the balance in the experience account is not sufficient to fully fund that sum on an actuarial basis as determined by the system actuary in agreement with the legislative auditor's actuary, no increase shall be granted. The increase shall** be an amount equal to the lesser of:

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

~~(b) The~~ **Any** 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~~, if any. If the balance in the experience account is not sufficient to fund that sum, no increase shall be granted~~.

~~(2)(a) If~~ **(b)(i) Three percent, if** the system is **at least** eighty percent funded ~~or greater, three percent~~ **and the system earns an actuarial rate of return of at least eight and one-quarter percent interest on the investment of the system's assets**.

~~(b) If the~~ **(ii) Two and one-half percent, if all of the following apply:**

(aa) The system is at least seventy-five percent funded but less than eighty percent funded ~~and the~~ **.**

(bb) The system earns an actuarial rate of return of at least eight and one-quarter percent interest on the investment of the system's assets.

(cc) The legislature has not granted a benefit increase in the preceding fiscal year~~, two and one-half percent~~.

~~(c) If the~~ **(iii) Two percent, if either of the following applies:**

(aa) 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.~~ **year.**

(bb) The system is at least seventy-five percent funded and 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.

~~(d) If~~ **(iv) One and one-half percent, 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) ~~Subject to the limitations contained in Paragraph (1) of this Subsection, the~~ **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.~~ **increase; however, 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. Additionally, 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. 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. 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.**

(4)(a) Notwithstanding any provision of this Section to the contrary, in

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a year in which the experience account balance is insufficient to fund the amount required pursuant to Paragraph (2) of this Subsection, the board may make the recommendation provided in Subsection C of this Section if all of the following conditions are satisfied:

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

(ii) The experience account balance established in the system valuation for the preceding fiscal year reached its maximum reserve permitted pursuant to Paragraph (B)(2)(c) of this Section applicable to the system valuation for that valuation year.

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

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

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

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

(II) 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 (D))(3) of this Section.

(bb) The insufficiency of credits to the account, if any, to cover the growth in the cost of the increase.

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

~~(4)(a)~~ **E.(1)(a)** Except as provided in Subparagraph (c) of this Paragraph, in order to be eligible for any permanent benefit increase payable on or before June 30, 2009, there must be the funds available in the experience account to pay for such an increase, and a retiree:

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(i) Shall have received a benefit for at least one year~~; and~~**.**

(ii) Shall have attained at least age fifty-five.

(b) Except as provided in Subparagraph (c) of this Paragraph, a nonretiree beneficiary shall be eligible for the permanent benefit increase payable on or before June 30, 2009:

(i) If benefits had been paid to the retiree or the beneficiary, or both combined, for at least one year~~; and~~**.**

(ii) In no event before the retiree would have attained age fifty-five.

(c)~~(i)~~ The provisions of Items ~~(a)(ii), (b)(ii), (d)(ii), and (e)(ii)~~ **(a)(ii) and (b)(ii)** of this Paragraph shall not apply to any person who receives disability benefits from this system, or who receives benefits based on the death of a disability retiree of this system.

~~(ii) The actuarial cost of implementing the provisions of Acts 2001, No. 1162, shall be paid by debiting the experience account which must have the funds available in the experience account to pay for such an increase.~~

~~(d)~~ **(2)(a)** Except as provided in Subparagraph (c) of this Paragraph, in order to be eligible for any permanent benefit increase payable on or after July 1, 2009, there shall be the funds available in the experience account to pay for such an increase, and a retiree:

(i) Shall have received a benefit for at least one year~~; and~~**.**

(ii) Shall have attained at least age sixty.

~~(e)~~ **(b)** Except as provided in Subparagraph (c) of this Paragraph, a nonretiree beneficiary shall be eligible for the permanent benefit increase payable on or after July 1, 2009:

(i) If benefits had been paid to the retiree or the beneficiary, or both combined, for at least one year~~; and~~**.**

(ii) In no event before the retiree would have attained age sixty.

(c) The provisions of Items (a)(ii) and (b)(ii) of this Paragraph shall not apply to any person who receives disability benefits from this system, or who

receives benefits based on the death of a disability retiree of this system.

~~(5)(a)~~ **F.(1) The first normal permanent benefit increase shall be effective July 1, 1999.**

(2) The actuarial cost of implementing the provisions of Acts 2001, No. 1162, shall be paid by debiting the experience account which shall have the funds available in the experience account to pay for such an increase.

(3) Effective September 1, 2001, any retiree receiving a retirement benefit shall be entitled to receive, as a permanent benefit increase, a minimum retirement benefit amounting to not less than thirty dollars per month for each year of creditable service of the retiree or the maximum benefit earned in accordance with the applicable benefit formula selected by the retiree at the time of retirement, whichever is greater.

~~(i)~~ **(a)** For any retiree who selected or selects an early retirement, an initial benefit option, or a retirement option allowing the payment of benefits to a beneficiary, there shall be a comparison of both the minimum benefit provided for in this Paragraph and the maximum benefit and both such benefits shall be actuarially reduced based upon the option selected by the retiree and the current board-approved actuarial assumptions prior to the comparison and for the purpose of determining which of the two benefit amounts results in the greater amount and the greater amount shall be paid to the retiree.

~~(ii)~~ **(b)** In order for the minimum benefit provided for in this Paragraph to be compared to the annuity being paid to a retiree's named beneficiary, the minimum benefit shall be reduced based on the option in effect and the current board-approved actuarial assumptions. After reducing the minimum benefit provided for in this Item, the reduced minimum benefit shall be compared to the beneficiary's annuity, and the beneficiary shall be paid the greater of the beneficiary's reduced minimum benefit or the amount of the beneficiary's annuity being paid at the time of the comparison.

~~(b)~~ **(c)** The minimum benefits provided for in this Paragraph shall apply to all retired members and beneficiaries receiving annuity payments or benefits on

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September 1, 2001, and to all members retiring on and after September 1, 2001, and to all beneficiaries receiving annuity payments on and after September 1, 2001, and all such payments shall be funded by debiting the experience account.

~~D. Repealed by Acts 2009, No. 497, §3, eff. June 30, 2009.~~

~~E. The first normal permanent benefit increase shall be effective July 1, 1999.~~

~~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 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.~~

~~(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 board-approved actuarial valuation rate.~~

~~(b) The system is less than eighty percent funded.~~

~~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.(1)~~(a)~~ Effective July 1, 2004, the balance in the experience account shall be zero.

~~(b)~~ **<u>(2)</u>** Effective June 30, 2009, the balance in the experience account shall be zero. Any funds in the account on June 29, 2009, shall be allocated in the following order:

~~(i)~~ **<u>(a)</u>** To provide for any net investment loss attributable to the balance in the account as provided in ~~Paragraph (B)(1)~~ **<u>Subparagraph (B)(3)(a)</u>** of this Section.

~~(ii)~~ **<u>(b)</u>** To fund any permanent benefit increase or minimum benefit pursuant to ~~the Act that originated as House Bill No. 586~~ **<u>Act 144</u>** of the 2009 Regular Session of the Legislature.

~~(iii)~~ **<u>(c)</u>** To apply to the experience account amortization base as provided in R.S. 11:102.2(C)(2); however, as of June 30, 2009, these funds shall be transferred to the system's Texaco Account and retained in a subaccount of that account until that account is applied as provided in R.S. 11:102.2. The subaccount shall continue to be credited and debited as provided in ~~Subparagraph (A)(2)(b) and Paragraph~~

~~(B)(1) of~~ this Section until such application.

<u>B.(1) Effective for the June 30, 2015 valuation, the system's funded percentage for purposes of this Section shall be determined before any allocation to the experience account.</u>

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

(a) To the extent permitted by **<u>Subparagraph (c) of this</u>** Paragraph ~~(3) of this Subsection~~ and after allocation to the amortization bases as provided in R.S. ~~11:102(B)(3)(d)(vii)(bb) and 102.2, as applicable~~ **<u>11:102.2</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,~~ **<u>Subparagraph (c) of this Paragraph</u>** 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)~~ **<u>(c)</u>** In no event shall 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 permanent benefit increases determined pursuant to Subsection ~~C~~ **<u>D</u>** of this Section if the system is **<u>at least</u>** eighty percent funded ~~or greater~~.

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

~~(b)~~ **<u>(d)</u>** If the system is less than eighty percent funded and **<u>the account</u>** has reserves in excess of the amounts provided for in Item ~~(a)(ii)~~ **<u>(c)(ii)</u>** of this Paragraph, ~~it shall not apply credits to the account pursuant to Subparagraph (2)(b) of this Subsection~~ **<u>no amount shall be credited to the account</u>**.

~~B.~~ **<u>(3)</u>** The experience account shall be debited as follows:

~~(1)~~ **<u>(a)</u>** An amount equal to that portion of the system's net investment loss attributable to the balance in the experience account during the prior year.

~~(2)~~ **<u>(b)</u>** An amount sufficient to fund a permanent benefit increase granted pursuant to ~~Subsection C~~ **the provisions** of this Section.

~~(3)~~ **(c)** In no event shall the amount in the experience account fall below zero.

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 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.

D.(1) No increase shall be granted if one or more of the following apply:

(a) The system is less than fifty-five percent funded.

(b) The system is at least fifty-five percent funded but less than eighty percent funded and the legislature granted a benefit increase in the preceding fiscal year.

(c) The system is less than eighty percent funded and the system fails to earn an actuarial rate of return which exceeds the board-approved actuarial valuation rate.

(2) 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 the amount required pursuant to Subparagraph (a) or (b) of this Paragraph. If the balance in the experience account is not sufficient to fully fund that sum on an actuarial basis as determined by the system actuary in agreement with the legislative auditor's actuary, no increase shall be granted. The increase shall** be an amount equal to the lesser of:

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

~~(b) The~~ **Any** 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~~, if any. If the balance in the experience account is not sufficient to fund that sum, no increase shall be granted~~.

~~(2)(a) If~~ **(b)(i) Three percent, if** the system is **at least** eighty percent funded ~~or greater, three percent~~ **and the system earns an actuarial rate of return of at least eight and one-quarter percent interest on the investment of the system's assets**.

~~(b) If the~~ **(ii) Two and one-half percent, if all of the following apply:**

(aa) The system is at least seventy-five percent funded but less than eighty percent funded ~~and the~~**.**

(bb) The system earns an actuarial rate of return of at least eight and one-quarter percent interest on the investment of the system's assets.

(cc) The legislature has not granted a benefit increase in the preceding fiscal year~~, two and one-half percent~~.

~~(c) If the~~ **(iii) Two percent, if either of the following applies:**

(aa) 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~~.

(bb) The system is at least seventy-five percent funded and 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.

~~(d) If~~ **(iv) One and one-half percent, 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) ~~Subject to the limitations contained in Subsection F of this Section, the~~ **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.

(a) 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. 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.

(b) 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. 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.

(4)(a) 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 (2) of this Subsection, the board may make the recommendation provided in Subsection C of this Section if all of the following conditions are satisfied:

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

(ii) The experience account balance established in the system valuation for the preceding fiscal year reached its maximum reserve permitted pursuant to Paragraph (B)(2)(c) of this Section applicable to the system valuation for that valuation year.

(iii) The experience account balance established in the system valuation for the current fiscal year is insufficient to fund the increase permitted pursuant to Paragraph (2) of this Subsection applicable to the system valuation for the

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preceding fiscal year.

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

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

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

(II) 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 (D)(3) of this Section.

(bb) The insufficiency of credits to the account, if any, to cover the growth in the cost of the increase.

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

~~(4)(a)~~ **E.(1)(a)** Except as provided in Subparagraph (c) of this Paragraph, in order to be eligible for any permanent benefit increase payable on or before June 30, 2009, there must be the funds available in the experience account to pay for such an increase, and a retiree:

(i) Shall have received a benefit for at least one year~~; and~~**.**

(ii) Shall have attained at least age fifty-five.

(b) Except as provided in Subparagraph (c) of this Paragraph, a nonretiree beneficiary shall be eligible for the permanent benefit increase payable on or before June 30, 2009:

(i) If benefits had been paid to the retiree or the beneficiary, or both combined, for at least one year~~; and~~**.**

(ii) In no event before the retiree would have attained age fifty-five.

(c)~~(i)~~ The provisions of Items ~~(a)(ii), (b)(ii), (d)(ii), and (e)(ii)~~ **(a)(ii) and (b)(ii)** of this Paragraph shall not apply to any person who receives disability benefits from this system, or who receives benefits based on the death of a disability retiree of this system.

~~(ii) The actuarial cost of implementing the provisions of Acts 2001, No. 1162, shall be paid by debiting the experience account which must have the funds available in the experience account to pay for such an increase.~~

~~(d)~~ **<u>(2)(a)</u>** Except as provided in Subparagraph (c) of this Paragraph, in order to be eligible for any permanent benefit increase payable on or after July 1, 2009, there shall be the funds available in the experience account to pay for such an increase, and a retiree:

(i) Shall have received a benefit for at least one year~~; and~~**<u>.</u>**

(ii) Shall have attained at least age sixty.

~~(e)~~ **<u>(b)</u>** Except as provided in Subparagraph (c) of this Paragraph, a nonretiree beneficiary shall be eligible for the permanent benefit increase payable on or after July 1, 2009:

(i) If benefits had been paid to the retiree or the beneficiary, or both combined, for at least one year~~; and~~**<u>.</u>**

(ii) In no event before the retiree would have attained age sixty.

<u>(c) The provisions of Items (a)(ii) and (b)(ii) of this Paragraph shall not apply to any person who receives disability benefits from this system, or who receives benefits based on the death of a disability retiree of this system.</u>

~~(5)(a)~~ **<u>F.(1) The first normal permanent benefit increase shall be effective July 1, 1999.</u>**

<u>(2) The actuarial cost of implementing the provisions of Acts 2001, No. 1162, shall be paid by debiting the experience account which shall have the funds available in the experience account to pay for such an increase.</u>

<u>(3)</u> On December 1, 2001, the board of trustees shall grant a one-time cost-of-living adjustment to:

~~(i)~~ **<u>(a)</u>** Each retiree who had twenty-five years of service credit, exclusive of unused leave, or a disability retiree regardless of the number of years of service credit, and had been receiving a benefit for at least fifteen years on December 1, 2001~~; and~~**<u>.</u>**

~~(ii)~~ **<u>(b)</u>** Each nonretiree beneficiary receiving a benefit on December 1, 2001, if the deceased member had twenty-five years of service credit exclusive of unused leave, or was a disability retiree regardless of the number of years of service credit, and the retiree and nonretiree beneficiary, or both combined, had received a benefit for at least fifteen years.

~~(b)~~ **<u>(c)</u>** The one-time adjustment payable to each recipient shall equal an amount up to but not exceeding two hundred dollars a month, but the total monthly benefit of any such recipient resulting from this adjustment shall not exceed one thousand dollars.

~~E. The first normal permanent benefit increase shall be effective July 1, 1999.~~

~~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. This 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.~~

~~(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 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.~~

~~(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 board-approved actuarial valuation rate.~~

~~(b) The system is less than eighty percent funded.~~

~~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.~~

~~(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.~~

* * *

§927. Contributions

* * *

B. * * *

(2)(a) Beginning July 1, 2014, and continuing through ~~fiscal year~~ **Fiscal Year** 2017-2018, each higher education board created by Article VIII of the Constitution of Louisiana and each employer institution and agency under its supervision and control shall contribute to the Teachers' Retirement System of Louisiana on behalf of each participant in the optional retirement plan the sum of:

(i) The amounts calculated pursuant to R.S. ~~11:102(D)(4)(b),~~ **11:102(D)(6)(b),** (c), and (d).

* * *

(b) Beginning July 1, 2018, each higher education board created by Article VIII of the Constitution of Louisiana and each employer institution and agency under its supervision and control shall contribute to the Teachers' Retirement System of Louisiana on behalf of each participant in the optional retirement plan the sum of:

(i) The amounts calculated pursuant to R.S. ~~11:102(D)(4)(b),~~ **11:102(D)(6)(b),** (c), and (d).

* * *

(3)(a) Beginning July 1, 2014, for all employers that are not a higher education board created by Article VIII of the Constitution of Louisiana or an employer institution under the supervision and control of such a board, each such employer institution and board shall contribute to the Teachers' Retirement System of Louisiana on behalf of each participant in the optional retirement plan the greater of:

(i) The amount it would have contributed if the participant were a member of the regular retirement plan of the Teachers' Retirement System of Louisiana pursuant to R.S. ~~11:102(D)(1)~~ **11:102(D)(3)**.

(ii) The sum of the amounts calculated pursuant to R.S. ~~11:102(D)(4)(b)~~

<u>11:102(D)(6)(b)</u>, (c), and (d) plus six and two-tenths percent of pay.

* * *

§1145.1. ~~Employee Experience Account~~ **<u>Experience account</u>**

A.(1) The ~~Employee Experience Account~~ **<u>experience account</u>** shall be credited as follows:

(a) To the extent permitted by ~~Paragraph (2) of this Subsection~~ **<u>Subparagraph (c) of this Paragraph</u>** and after allocation **<u>to the amortization bases</u>** as provided in R.S. ~~11:102(B)(3)(d)(vi)(bb)~~ **<u>11:102.3</u>**, an amount not to exceed fifty percent of the **<u>remaining balance of the</u>** 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~~ **<u>Subparagraph (c) of this Paragraph</u>**, an amount not to exceed that portion of the system's net investment income attributable to the balance in the ~~Employee Experience Account~~ **<u>experience account</u>** during the prior year.

~~(2)(a)~~ **<u>(c)</u>** In no event shall a credit be made to the account that would cause the balance in the ~~Employee Experience Account~~ **<u>experience account</u>** to exceed the reserve necessary to grant:

(i) Two ~~cost-of-living adjustments~~ **<u>permanent benefit increases</u>** determined pursuant to Subsection C of this Section if the system is **<u>at least</u>** 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)~~ **<u>(d)</u>** If the system is less than eighty percent funded and **<u>the account</u>** has reserves in excess of the amounts provided for in Item ~~(a)(ii)~~ **<u>(c)(ii)</u>** of this Paragraph, ~~it shall not apply credits to the account pursuant to Subparagraph (1)(b) of this Subsection~~ **<u>no amount shall be credited to the account</u>**.

~~B.~~ **<u>(2)</u>** The ~~Employee Experience Account~~ **<u>experience account</u>** shall be debited as follows:

~~(1)~~ **<u>(a)</u>** An amount equal to that portion of the system's net investment loss attributable to the balance in the ~~Employee Experience Account~~ **experience account** during the prior year.

~~(2)~~ **(b)** An amount sufficient to fund a ~~cost-of-living adjustment~~ **permanent benefit increase** granted pursuant to ~~Subsection C~~ **the provisions** of this Section.

~~(3)~~ **(c)** In no event shall the amount in the ~~Employee Experience Account~~ **experience account** fall below zero.

(3) Effective for the June 30, 2015 valuation, the system's funded percentage for purposes of this Section shall be determined before any allocation to the experience account.

~~C.(1)~~ **B.** 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~~ **permanent benefit increase** 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~~ **permanent benefit increase** unless such ~~cost-of-living adjustment~~ **permanent benefit increase** has been approved by the legislature. ~~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. 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.~~

<u>C.(1) No increase shall be granted if one or more of the following apply:</u>

<u>(a) The system is less than fifty-five percent funded.</u>

<u>(b) The system is at least fifty-five percent funded but less than eighty percent funded and the legislature granted a benefit increase in the preceding fiscal year.</u>

<u>(c) The system is less than eighty percent funded and the system fails to earn an actuarial rate of return of at least seven and one-quarter percent interest on the investment of the system's assets.</u>

<u>(2)</u> Any ~~cost-of-living adjustment~~ **<u>increase</u>** granted pursuant to the provisions of this Section shall begin on **<u>the</u>** July first following legislative approval, shall be payable annually, and shall **<u>equal the amount required pursuant to Subparagraph (a) or (b) of this Paragraph. If the balance in the experience account is not sufficient to fully fund that sum on an actuarial basis as determined by the system actuary in agreement with the legislative auditor's actuary, no increase shall be granted. The increase shall</u>** be an amount equal to the lesser of:

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

~~(b) The~~ **<u>Any</u>** increase in the ~~Consumer Price Index (United States city average for all urban consumers (CPI-U))~~ **<u>consumer price index, U.S. city average for all urban consumers (CPI-U)</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. If the balance in the experience account is not sufficient to fund that sum, no increase shall be granted~~.

~~(2)(a) If~~ **<u>(b)(i) Three percent, if</u>** the system is **<u>at least</u>** eighty percent funded ~~or greater, three percent~~ **<u>and the system earns an actuarial rate of return of at least seven and one-quarter percent interest on the investment of the system's</u>**

<u>assets</u>.

~~(b) If the~~ **<u>(ii) Two and one-half percent, if all the following apply:</u>**

<u>(aa) The</u> system is at least seventy-five percent funded but less than eighty percent funded and the **<u>system earns an actuarial rate of return of at least seven and one-quarter percent interest on the investment of the system's assets.</u>**

<u>(bb) The</u> legislature has not granted a benefit increase in the preceding fiscal year~~, two and one-half percent~~.

~~(c) If the~~ **<u>(iii) Two percent, if either of the following applies:</u>**

<u>(aa) The</u> 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~~.

<u>(bb) The system is at least seventy-five percent funded and the system earns an actuarial rate of return of at least seven and one-quarter percent interest on the investment of the system's assets.</u>

~~(d) If~~ **<u>(iv) One and one-half percent if</u>** 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) ~~Subject to the limitations contained in Paragraph (1) of this Subsection, the~~ **<u>The</u>** percentage of each recipient's ~~cost-of-living adjustment~~ **<u>permanent benefit increase</u>** shall be based on the benefit being paid to the recipient on the effective date of the ~~increase.~~ **<u>increase; however, 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 eighty-five thousand dollars of the retiree's annual benefit. Additionally, 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</u>**

not to exceed sixty thousand dollars of the retiree's annual benefit. 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 any increase in the consumer price index, U.S. city average for all urban consumers (CPI-U) for the preceding year. 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.

(4)(a) 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 (2) of this Subsection, the board may make the recommendation provided in Subsection B of this Section if all of the following conditions are satisfied:

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

(ii) The experience account balance established in the system valuation for the preceding fiscal year reached its maximum reserve permitted pursuant to Paragraph (A)(1)(c) of this Section applicable to the system valuation for that valuation year.

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

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

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

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

(II) 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)(3) of this Section.

(bb) The insufficiency of credits to the account, if any, to cover the growth in the cost of the increase.

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

~~(4)(a)~~ **D.(1)(a)** Except as provided in Subparagraph (c) of this Paragraph, in order to be eligible for the ~~cost-of-living adjustment~~ **permanent benefit increase**, there shall be the funds available in the ~~Employee Experience Account~~ **experience account** to pay for such an adjustment, and a retiree:

(i) Shall have received a benefit for at least one year~~; and~~**.**

(ii) Shall have attained at least age sixty.

(b) Except as provided in Subparagraph (c) of this Paragraph, a ~~non-retiree~~ **nonretiree** beneficiary shall be eligible for the ~~cost-of-living adjustment~~ **permanent benefit increase**:

(i) If benefits had been paid to the retiree, or the beneficiary, or both combined, for at least one year~~; and~~**.**

(ii) In no event before the retiree would have attained age sixty.

(c) The provisions of Items (a)(ii) and (b)(ii) of this Paragraph shall not apply to any person who receives disability benefits from this system or who receives benefits based on the death of a disability retiree of this system.

~~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 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 seven and one-quarter percent interest on the investment of the system's assets.~~

E. Effective July 1, 2007, the balance in the ~~Employee Experience Account~~ **experience account** shall be zero.

~~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~~ **<u>Experience account</u>**

A.(1) The ~~Employee Experience Account~~ **<u>experience account</u>** shall be credited as follows:

(a) To the extent permitted by ~~Paragraph (2) of this Subsection~~

Subparagraph (c) of this Paragraph and after the allocation **to the amortization bases** as provided in R.S. ~~11:102(B)(3)(d)(viii)(bb)~~ **11:102.4**, 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 (2) of this Subsection~~ **Subparagraph (c) of this Paragraph**, an amount not to exceed that portion of the system's net investment income attributable to the balance in the ~~Employee Experience Account~~ **experience account** during the prior year.

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

(i) Two ~~cost-of-living adjustments~~ **permanent benefit increases as** determined pursuant to Subsection C of this Section if the system is **at least** 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)~~ **(d)** If the system is less than eighty percent funded and **the account** has reserves in excess of the amounts provided for in Item ~~(a)(ii)~~ **(c)(ii)** of this Paragraph, ~~it shall not apply credits to the account pursuant to Subparagraph (1)(b) of this Subsection~~ **no amount shall be credited to the account**.

~~B.~~ **(2)** The ~~Employee Experience Account~~ **experience account** shall be debited as follows:

~~(1)~~ **(a)** An amount equal to that portion of the system's net investment loss attributable to the balance in the ~~Employee Experience Account~~ **experience account** during the prior year.

~~(2)~~ **(b)** An amount sufficient to fund a ~~cost-of-living adjustment~~ **permanent benefit increase** granted pursuant to ~~Subsection C or F~~ **the provisions** of this Section.

~~(3)~~ **(c)** In no event shall the amount in the ~~Employee Experience Account~~

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

<u>experience account</u> fall below zero.

<u>(3) Effective for the June 30, 2015 valuation, the system's funded percentage for purposes of this Section shall be determined before any allocation to the experience account.</u>

~~C.(1)~~ **<u>B.</u>** 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~~ **<u>permanent benefit increase</u>** 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~~ **<u>permanent benefit increase</u>** unless such ~~cost-of-living adjustment~~ **<u>permanent benefit increase</u>** has been approved by the legislature. ~~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. 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.~~

<u>C.(1) No increase shall be granted if one or more of the following apply:</u>

(a) The system is less than fifty-five percent funded.

(b) The system is at least fifty-five percent funded but less than eighty percent funded and the legislature granted a benefit increase in the preceding fiscal year.

(c) The system is less than eighty percent funded and the system fails to earn an actuarial rate of return of at least seven percent interest on the investment of the system's assets.

(2) Any ~~adjustment~~ **increase** granted pursuant to the provisions of this Section shall begin on **the** July first following legislative approval, shall be payable annually, and shall be an amount equal to the lesser of:

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

~~(b) The~~ **Any** increase in the consumer price index**,** ~~(United States city average for all urban consumers (CPI-U))~~ **U.S. 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. If the balance in the experience account is not sufficient to fund that sum, no increase shall be granted~~.

~~(2)(a) If~~ **(b)(i) Three percent, if** the system is **at least** eighty percent funded ~~or greater, three percent~~ **and the system earns an actuarial rate of return of at least seven percent interest on the investment of the system's assets**.

~~(b) If the~~ **(ii) Two and one-half percent, if all of the following apply:**

(aa) The system is at least seventy-five percent funded but less than eighty percent funded and the **system earns an actuarial rate of return of at least seven percent interest on the investment of the system's assets.**

(bb) The legislature has not granted a benefit increase in the preceding fiscal year~~, two and one-half percent~~.

~~(c) If the~~ **(iii) Two percent, if either of the following applies:**

(aa) 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~~.

(bb) The system is at least seventy-five percent funded and the system earns an actuarial rate of return of at least seven percent interest on the investment of the system's assets.

~~(d) If~~ **(iv) One and one-half percent, 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) ~~Subject to the limitations contained in Paragraph (1) of this Subsection, the~~ **The** percentage of each recipient's ~~cost-of-living adjustment~~ **permanent benefit increase** shall be based on the benefit being paid to the recipient on the effective date of the ~~increase.~~ **increase; however, 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 eighty-five thousand dollars of the retiree's annual benefit. Additionally, 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. 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 any increase in the consumer price index, U.S. city average for all urban consumers (CPI-U) for the preceding year. 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.**

(4)(a) 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 (2) of this Subsection, the board may make the recommendation provided in Subsection B of this Section if all of the following conditions are satisfied:

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

(ii) The experience account balance established in the system valuation for the preceding fiscal year reached its maximum reserve permitted pursuant to Paragraph (A)(1)(c) of this Section applicable to the system valuation for that valuation year.

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

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

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

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

(II) 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)(3) of this Section.

(bb) The insufficiency of credits to the account, if any, to cover the growth in the cost of the increase.

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

~~(4)(a)~~ **D.(1)(a)** Except as provided in Subparagraph (c) of this Paragraph, in order to be eligible for the ~~cost-of-living adjustment~~ **permanent benefit increase**, there shall be the funds available in the experience account to pay for such an adjustment, and a retiree:

(i) Shall have received a benefit for at least one year~~; and~~**.**

(ii) Shall have attained at least age sixty.

(b) Except as provided in Subparagraph (c) of this Paragraph, a ~~non-retiree~~ **nonretiree** beneficiary shall be eligible for the ~~cost-of-living adjustment~~ **permanent benefit increase**:

(i) If benefits had been paid to the retiree, or the beneficiary, or both combined, for at least one year~~; and~~**.**

(ii) In no event before the retiree would have attained age sixty.

(c) The provisions of Items (a)(ii) and (b)(ii) of this Paragraph shall not apply to any person who receives disability benefits from this system or who receives benefits based on the death of a disability retiree of this system.

~~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 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 seven percent interest on the investment of the system's assets.~~

E. Effective July 1, 2007, the balance in the ~~Employee Experience Account~~ **experience account** shall be zero.

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~~ **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 unless such supplemental cost-of-living adjustment has been approved by the legislature. 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. Effective on and 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))~~ **U.S. 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~~ **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))~~ **U.S. 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 **the** 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. The actuarial cost of this Act, if any, shall be funded with additional employer contributions in compliance with Article X, Section 29(F) of the Constitution of Louisiana.

Section 3. This Act shall become effective on June 30, 2015; if vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on June 30, 2015, 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

SB 16 Engrossed 2015 Regular Session Guillory

<u>Proposed law</u> generally rearranges the content of <u>present law</u> to provide for ease of administration and clarification of certain actuarial concepts.

<u>Proposed law</u> 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

Present law, relative to state retirement systems, generally provides 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.

Proposed law retains present law.

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

Proposed law generally retains present law.

SUBSTANTIVE CHANGES

Present law, subject to certain caveats, provides for a schedule of maximum PBI amounts based on a system's funded level. 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.

Proposed law retains present law.

Present law provides that, before a system is 85% funded, the following apply:

(1) PBIs may be granted no more frequently than every other year.

(2) Most actuarial changes, gains, and losses are amortized over 30 years.

(3) No reamortization to reduce actuarially-required payments on certain debts occurs after application of gains allocated to that debt.

Present law provides that when a retirement system is at least 85% funded, the following apply:

(1) PBIs may be granted annually.

(2) The amortization period for certain actuarial changes, gains, and losses is reduced from 30 years to 20 years enhancing actuarial soundness.

(3) Certain debt payments are reduced through reamortization after application of gains allocated to funding that debt.

To coordinate with present law 3% maximum PBI threshold, proposed law reduces from 85% to 80% the funded level necessary for the following to occur:

(1) Possibility of annual PBIs.

(2) Permanent reduction of the amortization period for certain actuarial changes, gains, and losses from 30 years to 20 years from that year forward, enhancing actuarial soundness.

(3) Reduction of certain debt payments through reamortization after application of gains allocated to funding that debt.

Proposed law, for purposes of determining the maximum PBI within the schedule in present law and for determining whether PBIs may be granted annually, specifies that the funding level shall be determined before any allocation to the experience account. Further provides that effective for the June 30th system valuation following the fiscal year in which the system first attains a funded level of 80% pursuant to proposed law, the amortization period for most actuarial changes, gains, and losses shall be 20 years and the reduction of certain debt payments through reamortization after application of gains allocated to funding that debt shall begin.

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

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

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

Proposed law retains present law and provides for reamortization of the debt payments when moving to level dollar payments results in annual payments that are not more than the next annual payment otherwise required under present law without extending the payment period.

NONSUBSTANTIVE CHANGES

Present law provides 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 funding level.

(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 funding level.

(F) Ten-year amortization of losses due to experience account allocations beginning with the 2019 system valuation.

(G) Five-year amortization of certain gains recognized in the 2014 valuation.

Proposed law retains present law.

Present law, relative to LSERS, provides for:

(H) The application of residual experience account funds on June 30, 2014, as a part of:

(I) The consolidation of existing amortization bases.

Proposed law retains present law.

Present law, relative to LASERS and Teachers', provides 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.

Proposed law retains present law.

Present law provides for (L) a volatility review of future payment schedules for each system.

Proposed law retains present law.

Proposed 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.

Proposed law retains present law.

A table of the major present 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)
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

PROVISION	SYSTEM	PRESENT LAW	PROPOSED LAW
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	LASERS	R.S. 11:102.3	R.S. 11:102.6
	TRSL	R.S. 11:102.3	R.S. 11:102.6
	LSERS	R.S. 11:102.3	R.S. 11:102.6
	Troopers	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)

PROVISION	SYSTEM	PRESENT LAW	PROPOSED LAW
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)
	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)

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(Amends R.S. 11:102, 102.1, 102.2, 102.3, 542, 883.1, 927(B)(2)(a)(i) and (b)(i) and (3)(a), 1145.1, and 1332; adds R.S. 11:102.4, 102.5, and 102.6)