

Regular Session, 2011

SENATE BILL NO. 10

BY SENATOR SHAW

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

TEACHERS RETIREMENT. Provides for permanent benefit increases for retirees payable from the experience account. (2/3 - CA 10s29(F)) (8/15/2011)

1 AN ACT

2 To amend and reenact R.S. 11:102.2(B)(4) and 883.1(A)(2)(a), (C)(4)(a)(introductory  
3 paragraph), (b)(introductory paragraph), and (c)(i), and (G), and to repeal R.S.  
4 11:883.1(C)(4)(d) and (e), relative to application of excess investment earnings of  
5 the Teachers' Retirement System of Louisiana; to provide for post-retirement benefit  
6 increases funded from such earnings; and to provide for related matters.

7 Notice of intention to introduce this Act has been published.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 11:102.2(B)(4) and 883.1(A)(2)(a), (C)(4)(a)(introductory paragraph),  
10 (b)(introductory paragraph), and (c)(i), and (G) are hereby amended and reenacted to read  
11 as follows:

12 §102.2. Consolidation of amortization payment schedules; Teachers' Retirement  
13 System of Louisiana

14 \* \* \*

15 B. Original amortization base.

16 (1) \* \* \*

17 (4) In any year in which the system exceeds its actuarially-assumed rate of

1 return, after allocation to the experience account as provided in R.S.  
 2 11:883.1(A)(2)(a), the first one hundred million dollars of excess returns shall be  
 3 applied to the remaining balance of the original amortization base established in this  
 4 Subsection. After such application, the net remaining liability shall be reamortized  
 5 over the remaining amortization period with annual payments as provided in this  
 6 Subsection or as otherwise provided by law.

7 \* \* \*

8 §883.1. Experience account

9 A.(1) \* \* \*

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

11 (a) To the extent permitted by Paragraph (3) of this Subsection ~~and after~~  
 12 ~~allocation to the consolidated amortization bases as provided in R.S. 11:102.2~~, an  
 13 amount not to exceed fifty percent of ~~the remaining balance~~ of the prior year's net  
 14 investment experience gain as determined by the system's actuary.

15 \* \* \*

16 C.(1) \* \* \*

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

21 \* \* \*

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

25 \* \* \*

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

\* \* \*

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 Paragraph (C)(2) 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.~~

Section 2. R.S. 11:883.1(C)(4)(d) and (e) are hereby repealed.

Section 3. The provisions of this Act shall be applied to the preparation of any annual actuarial valuation for the system on or after the effective date of this Act.

Section 4. The 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.

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

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#### DIGEST

Present law provides, after allocation of \$200 million for accelerated reduction of certain unfunded accrued liabilities (UAL) of the Teachers' Retirement System of Louisiana (TRSL), 50% of the net investment experience gain of TRSL shall be credited to the system's experience account, which is used for funding retiree benefit increases.

Present law provides that the remaining 50% of gain forms an amortization credit used to reduce the required employer contribution over the 30-year amortization period.

Proposed law provides for 50% of the net investment experience gain of the system to be credited to the system's experience account before allocation to reduce the UAL or for forming an amortization credit.

Present law provides for permanent benefit increases to be paid to retirees of TRSL when the balance in the experience account is sufficient to provide full actuarial funding of the increase.

Proposed law retains present law.

Present law provides that, for any increase payable on or after July 1, 2009, an eligible benefit recipient shall be drawing a benefit based on the service of a retiree who has or

would have attained the age of 60 on the date the increase is payable.

Proposed law provides eligibility for an increase for recipients whose benefits are based on the service of retirees who have or would have attained the age of 55 on the date the increase is payable.

Present law prohibits an increase in benefits from experience account funds in any year in which the system's actuarial rate of return fails to exceed the board-approved actuarial valuation rate (currently 8.25%) and in which the system is less than 80% funded.

Proposed law deletes these prohibitions and allows a benefit increase in years in which the system is below 80% funded and fails to exceed the valuation rate of return.

Proposed law provides that the cost of proposed law shall be funded with additional employer contributions.

Proposed law provides that the provisions of proposed law shall be applied to the preparation of any annual actuarial valuation for the system on or after the effective date.

Effective August 15, 2011.

(Amends R.S. 11:102.2(B)(4) and 883.1(A)(2)(a), (C)(4)(a)(intro. para.), (b)(intro. para.), and (c)(i), and (G); repeals R.S. 11:883.1(C)(4)(d) and (e))