

Regular Session, 2014

SENATE BILL NO. 13

BY SENATOR PEACOCK

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

1 AN ACT

2 To amend and reenact R.S. 11:22(B)(6) and (13), 102.1(B)(4) and (C)(4), 102.2(B)(4) and  
3 (C)(4), 542(A)(2)(a) and (F)(2)(a), and 883.1(A)(2)(a) and (G)(2)(a), relative to the  
4 entry age normal valuation method; to provide for utilization of the method by  
5 certain state retirement systems; to provide for effective dates; and to provide for  
6 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. 11:22(B)(6) and (13) are hereby amended and reenacted to read as  
10 follows:

11 §22. Methods of actuarial valuation established

12 \* \* \*

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

15 \* \* \*

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

\* \* \*

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

\* \* \*

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

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

\* \* \*

B. Original amortization base.

\* \* \*

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

\* \* \*

C. Experience account amortization base.

\* \* \*

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

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

4 \* \* \*

5 §102.2. Consolidation of amortization payment schedules; Teachers' Retirement  
6 System of Louisiana

7 \* \* \*

8 B. Original amortization base.

9 \* \* \*

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

18 C. Experience account amortization base.

19 \* \* \*

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

29 \* \* \*

1 §542. Experience account

2 A. \* \* \*

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

4 (a) To the extent permitted by Paragraph (3) of this Subsection and after  
5 allocation to the consolidated amortization bases as provided in R.S. 11:102.1, an  
6 amount not to exceed fifty percent of the remaining balance of the prior year's net  
7 investment experience gain ~~as determined by the system's actuary~~ **with the gain**  
8 **measured as investment earnings on the actuarial value of assets in excess of the**  
9 **greater of the actuarially assumed rate of return utilized in the June 30, 2013,**  
10 **valuation or the board-approved actuarial valuation rate.**

11 \* \* \*

12 F. \* \* \*

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

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

18 \* \* \*

19 §883.1. Experience account

20 A. \* \* \*

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

22 (a) To the extent permitted by Paragraph (3) of this Subsection and after  
23 allocation to the consolidated amortization bases as provided in R.S. 11:102.2, an  
24 amount not to exceed fifty percent of the remaining balance of the prior year's net  
25 investment experience gain ~~as determined by the system's actuary~~ **with the gain**  
26 **measured as investment earnings on the actuarial value of assets in excess of the**  
27 **greater of the actuarially assumed rate of return utilized in the June 30, 2013,**  
28 **valuation or the board-approved actuarial valuation rate.**

29 \* \* \*



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

Effective June 30, 2014.

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