

Regular Session, 2012

SENATE BILL NO. 54

BY SENATOR GUILLORY

STATE EMPLOYEE RET. Provides for the system valuation method. (6/30/12)

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AN ACT

To amend and reenact R.S. 11:22(B)(6), 102(C)(4), and 102.1(C)(1) and to enact R.S. 11:102.1(B)(6) and (C)(6), relative to the Louisiana State Employees' Retirement System; to provide for a change in actuarial valuation method; to provide for application of gains and losses resulting from such change; 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. 11:22(B)(6), 102(C)(4), and 102.1(C)(1) are hereby amended and reenacted and R.S. 11:102.1(B)(6) and (C)(6) are hereby enacted to read as follows:

§22. Methods of actuarial valuation established

* * *

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

* * *

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

1 * * *

2 §102. Employer contributions; determination; state systems

3 * * *

4 C.(1) * * *

5 (4)(a) ~~For~~ **Except as provided in Subparagraph (b) of this Paragraph, for**

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

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

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

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

24 ~~(d)~~ **(iv)** The shared gross employer contribution rate difference. The gross
25 employer contribution rate difference shall be the difference between the minimum
26 gross employer contribution rate provided in Paragraph (B)(5) of this Section and the
27 aggregate employer contribution rate calculated pursuant to the provisions of
28 Subsection B of this Section.

29 **(b) For each fiscal year beginning with Fiscal Year 2012-2013, if there**

1 remains a balance in the original amortization base or the experience account
 2 amortization base, and if the required employer contribution rate under
 3 Subparagraph (a) of any plan referenced in Paragraph (1) for Fiscal Year
 4 2012-2013 is less than the required employer contribution rate for Fiscal Year
 5 2012-2013 calculated in accordance with the projected unit credit actuarial
 6 funding method using the actuarially-assumed rate of return which was adopted
 7 for Fiscal Year 2012-2013, then the employer contribution rate under
 8 Subparagraph (a) for such plan shall be increased by the lesser of:

9 (i) The difference between the required employer contribution rate
 10 under Subparagraph (a) for Fiscal Year 2012-2013 and the required employer
 11 contribution rate for Fiscal Year 2012-2013 calculated in accordance with the
 12 projected unit credit actuarial funding method using the actuarially-assumed
 13 rate of return which was adopted for Fiscal Year 2012-2013; or

14 (ii) Two percent.

15 * * *

16 §102.1. Consolidation of amortization payment schedules; Louisiana State
 17 Employees' Retirement System

18 * * *

19 B. Original amortization base.

20 * * *

21 (6) In any year in which the system receives additional contributions
 22 pursuant to R.S. 11:102(C)(4)(b), the amount of such additional contributions
 23 shall be applied to the remaining balance of the original amortization base
 24 established pursuant to this Subsection. If there is no remaining balance of the
 25 original amortization base, then the additional contributions received pursuant
 26 to R.S. 11:102(C)(4)(b) shall be applied to the remaining balance of the
 27 experience account amortization base established in Subsection (C) of this
 28 Section.

29 * * *

1 C. Experience account amortization base.

2 (1) The remaining balances of outstanding amortization bases for the years
 3 1996, 1999 through 2004, and 2008, as specified in the system valuation adopted by
 4 the Public Retirement Systems' Actuarial Committee on February 5, 2009, shall be
 5 consolidated into a single amortization base, effective for the June 30, 2009 system
 6 valuation with payments beginning on July 1, 2010. **Any increase in liability**
 7 **associated with the change to the entry age normal actuarial funding method**
 8 **shall be amortized as a shared unfunded accrued liability and shall be added to**
 9 **this base. The payments shall then be reamortized to maintain the original term**
 10 **and schedule of payment increases pursuant to Paragraph (3) of this Subsection.**

11 * * *

12 **(6) In any year in which the system receives additional contributions**
 13 **pursuant to R.S. 11:102(C)(4)(b), the amount of such additional contributions**
 14 **shall be applied to the remaining balance of the original amortization base**
 15 **established pursuant to Subsection (B) of this Section. If there is no remaining**
 16 **balance of the original amortization base, then the additional contributions**
 17 **received pursuant to R.S. 11:102(C)(4)(b) shall be applied to the remaining**
 18 **balance of the experience account amortization base established in this**
 19 **Subsection.**

20 Section 2. This Act shall become effective on July 1, 2012, unless the actuarially-
 21 assumed rate of return for the system set by the Public Retirement Systems' Actuarial
 22 Committee for fiscal year 2012-2013 is equal to 8.25%. If the actuarially-assumed rate of
 23 return for the system set by the Public Retirement Systems' Actuarial Committee for fiscal
 24 year 2012-2013 is equal to 8.25% then the provisions of this Act shall be null and void, and
 25 shall not become effective.

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

DIGEST

Present constitution (Art. X, Sect. 29(E)(1)) provides that the legislature shall establish, by law, the particular method of actuarial valuation to be employed by each state or statewide

retirement system for purposes of attaining and maintaining the actuarial soundness of such system.

Present law (R.S. 11:4(A)(1)(a)) provides that the Louisiana State Employees' Retirement System (LASERS) is a state retirement system.

Proposed law retains present law.

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

Proposed law changes the LASERS valuation method to entry age normal.

Present law (R.S. 11:102) provides for required employer contributions to state retirement systems including LASERS.

Proposed law provides that the LASERS employer contribution rate shall be the rate determined pursuant to present law plus additional contributions. Provides for accumulation and application of the additional contributions to reduce the unfunded accrued liability (UAL) of LASERS.

Effective June 30, 2012.

(Amends R.S. 11:22(B)(6), 102(C)(4), and 102(C)(1); adds R.S. 11:102.2(B)(6) and (C)(6))