DIGEST

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Pearson HB No. 44

Abstract: Requires the Dept. of Education to remit payments from minimum foundation program (MFP) funds to the Teachers' Retirement System of La. (TRSL) to cover debt payment on unfunded accrued liability (UAL) of the system attributable to K-12 employers.

Present constitution creates the MFP to provide minimum education funding for public elementary and secondary education schools in the state. The MFP monies are used by school districts to cover education-related expenses, including salaries and retirement costs for the teachers and school employees in the district. MFP monies are also received by charter schools.

Proposed law generally requires the Dept. of Education to send MFP funds to TRSL for application toward the system's initial unfunded accrued liability (IUAL) and post-1988 UAL prior to MFP funds being sent to school districts and charter schools. More detail on proposed law is contained below.

Calculation of contribution rates

Present law (R.S. 11:102) establishes the calculation for annual employer contribution rates for employers participating in the state retirement systems, including TRSL. A part of the employer contribution rate is an amount to fund debt service on the unfunded accrued liabilities of the retirement system—both the unfunded accrued liability that existed as of June 30, 1988, (IUAL) and the unfunded accrued liability (UAL) created after June 30,1988. Proposed law retains present law.

Present law establishes the employer contribution rates as a percentage of the total payroll of all active, contributing members of the system. In general terms, the rate is calculated by dividing the amount determined to be due to cover all costs (including payments on debt) by the payroll of active members of the system. Proposed law retains present law for all postsecondary education employers and for all costs except debt payments owed by K-12 employers.

For K-12 employers, proposed law provides that the portions of IUAL and UAL debt owed by such employers are divided by the payroll of active members of TRSL and of charter schools, whose employees do not participate in TRSL, using the payroll of employees who would have been in TRSL if they were school board employees.

UAL existing as of June 30, 1988

Present constitution (Art. X, §29(E)(2)(c)) provides that the legislature annually guarantees an amount necessary to fund payments on the IUAL debt of state retirement systems until such debt is retired.

Proposed law (R.S. 11:102.3) requires annual payment of an amount sufficient to cover the portion of the IUAL payment owed by elementary and secondary employers in TRSL from the MFP monies before such monies are distributed to school boards. Proposed law requires the amount due to be calculated as a rate based on the payroll of all entities who receive MFP funds, as described in more detail in the previous section. Further requires the rate and the total payroll figures used to calculate it to be reviewed and approved by the Public Retirement Systems' Actuarial Committee (PRSAC) when the committee reviews and adopts an actuarial valuation for TRSL each year.

Proposed law requires the department to pay the required rate to the retirement system on behalf of all employers receiving formula funds. The department shall pay the rate for 10 months beginning in the Sept. immediately following the approval of the rate.

Proposed law further requires TRSL to calculate as a percentage of payroll the balance of amounts due pursuant to present law from contributing employers. Requires such calculation to be reviewed and approved by PRSAC when the committee adopts a valuation for TRSL. Provides that participating employers remain obligated for the remainder of their required payments to TRSL.

UAL created after June 30, 1988

Proposed law (R.S. 11:102.4) requires annual payment of an amount sufficient to cover the portion of the UAL payment (excluding IUAL) owed by elementary and secondary employers in TRSL from the MFP monies before such monies are distributed to school boards. Proposed law requires the amount due to be calculated as a rate based on the payroll of all entities who receive MFP funds, as described in more detail above. Further requires the rate and the total payroll figures used to calculate it to be reviewed and approved by PRSAC when the committee reviews and adopts an actuarial valuation for TRSL each year.

Proposed law requires the department to pay the required rate to the retirement system on behalf of all employers receiving formula funds. The department shall pay the rate for 10 months beginning in the Sept. immediately following approval of the rate.

Proposed law further requires TRSL to calculate the balance of amounts due from contributing employers as a percentage of payroll. Requires such calculation to be reviewed and approved by PRSAC when the committee adopts a valuation for TRSL. Provides that participating employers remain obligated for the remainder of their required payments to TRSL.

Proposed law requires the state to carry on its financial statements for the purposes of Governmental Accounting Standards Board Directive No. 68, the total outstanding UAL of TRSL.

Proposed law further expressly denies that the constitution requires the state to provide payments for UAL created after June 30, 1988.

Proposed law requires the PRSAC to meet and adopt a revised employer contribution rate for K-12 employers for FY 2014-2015, based on the provisions contained in the Act.

Effective June 3, 2014.

(Amends R.S. 11:102(D)(4)(intro. para.); Adds R.S. 11:102.3 and 102.4)