

2015 Regular Session

HOUSE BILL NO. 41

BY REPRESENTATIVE HARRISON

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

RETIREMENT/FUNDING: Requires application of certain amounts of minimum foundation program formula funds to the unfunded accrued liability of the Teachers' Retirement System of Louisiana

1 AN ACT

2 To amend and reenact R.S. 11:102(D)(4)(introductory paragraph) and to enact R.S. 11:102.4

3 and 102.5, relative to payment of unfunded accrued liability of the Teachers'

4 Retirement System of Louisiana; to provide relative to calculation and distribution

5 of minimum foundation program funds; to provide relative to the powers and duties

6 of the Department of Education; to provide relative to the powers and duties of the

7 board of trustees of the retirement system; to provide relative to the calculation of

8 employer contribution rates; and to provide for related matters.

9 Notice of intention to introduce this Act has been published

10 as provided by Article X, Section 29(C) of the Constitution

11 of Louisiana.

12 Be it enacted by the Legislature of Louisiana:

13 Section 1. R.S. 11:102(D)(4)(introductory paragraph) is hereby amended and

14 reenacted and R.S. 11:102.4 and 102.5 are hereby enacted to read as follows:

15 §102. Employer contributions; determination; state systems

16 * * *

17 D.

18 * * *

1 (4) Except as provided in R.S. 11:102.4 and 102.5, for ~~For~~ each plan
2 referenced in Paragraph (1) of this Subsection, the legislature shall set the required
3 employer contribution rate equal to the sum of the following:

4 * * *

5 §102.4. Payments by the Louisiana Department of Education to the Teachers'
6 Retirement System of Louisiana; 1988 unfunded accrued liability

7 A.(1) The Legislature of Louisiana recognizes its constitutional obligation
8 to attain and maintain the actuarial soundness of the state and statewide retirement
9 systems as well as its constitutional obligation to pay by 2029 the unfunded accrued
10 liability of the state systems existing as of June 30, 1988. The legislature further
11 recognizes that the minimum foundation program formula contains amounts intended
12 to pay retirement costs, which include funds to pay the unfunded accrued liability of
13 the retirement system existing as of June 30, 1988. The Legislature further
14 recognizes that the State Board of Elementary and Secondary Education's
15 constitutional mandate to equitably allocate minimum foundation program funds
16 means the amounts intended for payment of such unfunded accrued liability of the
17 retirement system are spread across all minimum foundation program fund
18 recipients.

19 (2) Therefore, notwithstanding any provisions of law to the contrary,
20 beginning Fiscal Year 2015-2016 and continuing each year thereafter the legislature
21 directs the Louisiana Department of Education to allocate annually to the Teachers'
22 Retirement System of Louisiana, in this Section, the "retirement system", from the
23 minimum foundation program an amount sufficient to make the annual payments
24 required by this Section on the system's Original Amortization Base on behalf of all
25 employers receiving funds through the minimum foundation program formula.

26 B. The retirement system shall annually determine the amount of the cost of
27 the mid-year amortization payment on the Original Amortization Base schedule that
28 reflects the percentage of the payment allocated to elementary and secondary
29 education employers. The retirement system shall annually invoice the Louisiana

1 Department of Education for this amount. The invoiced amount shall be reviewed
2 and approved by the Public Retirement Systems' Actuarial Committee as part of the
3 process of annually adopting an actuarial valuation for the retirement system.

4 C. The department shall transfer the required amount to the retirement
5 system on behalf of all employers receiving formula funds. The amount to be paid
6 shall be divided into twelve equal payments and paid monthly.

7 D. Remaining funds appropriated for the minimum foundation program after
8 the payments required by this Section and R.S. 11:102.5 shall be distributed and used
9 as otherwise provided by law and the formula approved by the legislature.

10 E. The retirement system shall determine the balance of amounts due
11 pursuant to R.S. 11:102 as a percentage of payroll, which shall be reviewed and
12 approved by the Public Retirement Systems' Actuarial Committee as part of the
13 process of annually adopting an actuarial valuation for the retirement system. Each
14 employer that receives formula funds and that employs contributing members of the
15 retirement system is liable to the retirement system for its share of this balance of
16 amounts due.

17 §102.5. Payments by the Louisiana Department of Education to the Teachers'
18 Retirement System of Louisiana; post-1988 unfunded accrued liability

19 A. The Legislature of Louisiana recognizes that the minimum foundation
20 program formula contains amounts intended to pay retirement costs, which include
21 funds to pay the unfunded accrued liability of the retirement system. Therefore,
22 notwithstanding any provision of law to the contrary, beginning Fiscal Year 2015-
23 2016 and continuing each year thereafter the legislature directs the Louisiana
24 Department of Education to allocate annually from the minimum foundation program
25 an amount sufficient to make the annual payment to the Teachers' Retirement System
26 of Louisiana, in this Section, the "retirement system", as required by this Section on
27 behalf of all employers receiving funds through the minimum foundation program
28 formula.

1 B. The retirement system actuary shall annually determine the amount of the
2 cost of the mid-year amortization payment on all existing amortization schedules,
3 with the exception of the Original Amortization Base schedule, that reflects the
4 percentage of the payment allocated to elementary and secondary education
5 employers. The retirement system shall annually invoice the Louisiana Department
6 of Education for this amount. The invoiced amount shall be reviewed and approved
7 by the Public Retirement Systems' Actuarial Committee as part of the process of
8 annually adopting an actuarial valuation for the retirement system.

9 C. The department shall transfer the required amount to the retirement
10 system on behalf of all employers receiving formula funds. The amount to be paid
11 shall be divided into twelve equal payments and paid monthly.

12 D. Remaining funds appropriated for the minimum foundation program after
13 the payments required by this Section and R.S. 11:102.4 shall be distributed and used
14 as otherwise provided by law and the formula approved by the legislature.

15 E. The retirement system shall determine the balance of amounts due
16 pursuant to R.S. 11:102 as a percentage of payroll, which shall be reviewed and
17 approved by the Public Retirement Systems' Actuarial Committee as part of the
18 process of annually adopting an actuarial valuation for the retirement system. Each
19 employer that receives formula funds and that employs contributing members of the
20 retirement system is liable to the retirement system for its share of this balance of
21 amounts due.

22 Section 2. As soon as practicable after the effective date of this Act, the Public
23 Retirement Systems' Actuarial Committee shall meet to adopt a revised valuation for the
24 system, prepared as provided by this Act. This valuation shall include a revised employer
25 contribution rate for elementary and secondary education employers in the Teachers'
26 Retirement System to be utilized in the fiscal year which begins on July 1, 2015.

27 Section 3. This Act shall become effective on June 12, 2015; if vetoed by the
28 governor and subsequently approved by the legislature, this Act shall become effective on
29 June 12, 2015, or on the day following such approval by the legislature, whichever is later.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 41 Original

2015 Regular Session

Harrison

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) provides for the calculation of 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.

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. 11:102.4) 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 department to pay the required amount to the retirement system on behalf of all employers receiving formula funds. The amount to be paid shall be divided into 12 equal payments and paid monthly.

Proposed law further requires TRSL to calculate as a percentage of payroll the balance of the contribution rate due pursuant to present law from contributing employers. Requires such calculation to be reviewed and approved by the Public Retirement Systems' Actuarial Committee (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. 11:102.5) 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 department to pay the required amount to the retirement system on behalf of all employers receiving formula funds. The amount to be paid shall be divided into 12 equal payments and paid monthly.

Proposed law further requires TRSL to calculate the balance of the contribution rate due from contributing employers as a percentage of payroll. Requires such calculation to be reviewed and approved by the 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 PRSAC to meet and adopt a revised employer contribution rate for K-12 employers for FY 2015-2016, based on the provisions contained in the Act.

Effective June 12, 2015.

(Amends R.S. 11:102(D)(4)(intro. para.); Adds R.S. 11:102.4 and 102.5)