

Regular Session, 2014

HOUSE BILL NO. 37

BY REPRESENTATIVE PEARSON

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

1 AN ACT

2 To enact R.S. 11:102.3, relative to payment of certain unfunded accrued liability of the
3 Teachers' Retirement System of Louisiana; to provide relative to calculation and
4 distribution of minimum foundation program funds; to provide relative to the powers
5 and duties of the Department of Education; to provide relative to the powers and
6 duties of the board of trustees of the retirement system; to provide relative to the
7 calculation of employer contribution rates; and to provide for related matters.

8 Notice of intention to introduce this Act has been published
9 as provided by Article X, Section 29(C) of the Constitution
10 of Louisiana.

11 Be it enacted by the Legislature of Louisiana:

12 Section 1. R.S. 11:102.3 is hereby enacted to read as follows:

13 §102.3. Payments by the Louisiana Department of Education to the Teachers'
14 Retirement System of Louisiana

15 A.(1) The Legislature of Louisiana recognizes its constitutional obligation
16 to attain and maintain the actuarial soundness of the state and statewide retirement
17 systems as well as its constitutional obligation to pay by 2029 the unfunded accrued
18 liability of the state systems existing as of June 30, 1988. The legislature further
19 recognizes that funds allocated to the minimum foundation program by the State
20 Board of Elementary and Secondary Education include amounts intended to pay
21 retirement costs, including funds required to pay the unfunded accrued liability of

1 the Teachers' Retirement System of Louisiana existing as of June 30, 1988. The
2 legislature further recognizes that the State Board of Elementary and Secondary
3 Education's constitutional mandate to equitably allocate minimum foundation
4 program funds means the amounts intended for payment of such unfunded accrued
5 liability of the retirement system are spread across all minimum foundation program
6 fund recipients.

7 (2) Therefore, notwithstanding any provision of law to the contrary,
8 beginning Fiscal Year 2014-2015 and continuing each year thereafter until 2029, the
9 legislature directs the Louisiana Department of Education, in this Section, the
10 "department", to directly transmit to the Teachers' Retirement System of Louisiana,
11 in this Section, the "retirement system", from the minimum foundation program an
12 amount sufficient to make the annual payments required by this Section on the
13 system's Original Amortization Base on behalf of all employers receiving funds
14 through the minimum foundation program formula.

15 B. The retirement system shall annually determine the amount of the
16 mid-year amortization payment on the Original Amortization Base schedule,
17 provided in the most recent system valuation adopted by the Public Retirement
18 Systems Actuarial Committee, which reflects the percentage of the payment
19 allocated to elementary and secondary education employers. The retirement system
20 shall annually invoice the Louisiana Department of Education for this amount. The
21 invoiced amount shall be reviewed and approved by the Public Retirement Systems'
22 Actuarial Committee as part of the process of annually adopting an actuarial
23 valuation for the Teachers' Retirement System of Louisiana.

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

27 D. The minimum foundation program funding allocations which remain,
28 following the direct payment of unfunded accrued liability retirement costs required

1 by this Section shall be distributed and used as otherwise provided by law and the
2 formula approved by the legislature.

3 E. The Teachers' Retirement System of Louisiana shall determine the
4 balance of amounts due pursuant to R.S. 11:102 as a percentage of payroll, which
5 shall be reviewed and approved by the Public Retirement Systems' Actuarial
6 Committee as part of the process of annually adopting an actuarial valuation for the
7 Teachers' Retirement System of Louisiana. Each employer that receives formula
8 funds and that employs contributing members of the retirement system shall be liable
9 to the retirement system for this balance of amounts due.

10 Section 2. As soon as practicable after the effective date of this Act, the Public
11 Retirement Systems' Actuarial Committee shall meet to adopt a revised valuation for the
12 system, prepared as provided by this Act. This valuation shall include a revised employer
13 contribution rate for elementary and secondary education employers in the Teachers'
14 Retirement System to be utilized in the fiscal year which begins on July 1, 2014.

15 Section 3. The provisions of this of this Act shall become effective on June 3, 2014;
16 if vetoed by the governor and subsequently approved by the legislature, this Act shall
17 become effective on July 1, 2014, or on the day following such approval by the legislature,
18 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)]

Pearson

HB No. 37

Abstract: Provides for an annual direct transfer of minimum foundation program (MFP) funds from the Dept. of Education to the Teachers' Retirement System of Louisiana (TRSL) to pay the portion of the system's required annual initial unfunded accrued liability (IUAL) payment attributable to elementary and secondary education employers. Provides for distribution and use pursuant to present law for all remaining MFP funds.

Present law (R.S. 11:102) establishes the calculation for annual employer contribution rates for employers in the state retirement systems—of which TRSL is one. Part of the annual contribution is paid to debt service on the IUAL amount.

Present constitution creates the minimum foundation program, which is designed to provide minimum education funding for public 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.

Proposed law requires the Dept. of Education to pay annually 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 that TRSL annually determine what percent of the year's IUAL payment is attributable to elementary and secondary education employers and to invoice the Dept. of Education for that amount. Further requires the invoiced amount 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.

Under proposed law, the department shall transfer the required amount to the retirement system on behalf of all employers receiving formula funds. The department shall pay 12 equal monthly payments to satisfy the obligation created by proposed law.

Proposed law further requires that 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.

Effective June 3, 2014.

(Adds R.S. 11:102.3)