

2016 Regular Session

HOUSE BILL NO. 908

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 La.

1 AN ACT

2 To enact R.S. 11:102.4, 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. 11:102.4 is hereby enacted to read as follows:

13 §102.4. 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

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

8            (2) Therefore, notwithstanding any provision of law to the contrary,  
9        beginning Fiscal Year 2016-2017 and continuing each year thereafter until the base  
10       is fully liquidated, the legislature directs the Louisiana Department of Education, in  
11       this Section, the "department", to directly transmit to the Teachers' Retirement  
12       System of Louisiana, in this Section, the "retirement system", from the minimum  
13       foundation program an amount sufficient to make the annual payments required by  
14       this Section on the system's Original Amortization Base on behalf of all employers  
15       receiving funds through the minimum foundation program formula.

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

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

28           D. The minimum foundation program funding allocations which remain,  
29       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 of Louisiana to be utilized in the fiscal year which begins on July 1,  
15 2016.

16 Section 3. This Act shall become effective upon signature by the governor or, if not  
17 signed by the governor, upon expiration of the time for bills to become law without signature  
18 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
19 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
20 effective on the day following such approval.

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#### 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)]

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HB 908 Original

2016 Regular Session

Pearson

**Abstract:** Provides for an annual direct transfer of minimum foundation program (MFP) funds from the Dept. of Education to the Teachers' Retirement System of La. (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 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 upon signature of governor or lapse of time for gubernatorial action.

(Adds R.S. 11:102.4)