

2018 Regular Session

HOUSE BILL NO. 33

BY REPRESENTATIVE PEARSON

RETIREMENT/MUNICIPAL EMP: Provides for the payment of unfunded accrued liability by employers eliminating positions covered by the Municipal Employees' Retirement System of Louisiana

1 AN ACT

2 To amend and reenact R.S. 11:1733(F)(1) and (2), relative to participating employers of the  
3 Municipal Employees' Retirement System of Louisiana; to provide for payment of  
4 unfunded accrued liability attributable to an employer's termination of a participation  
5 agreement or to privatizing positions covered by the system; to provide for standards  
6 used in calculating unfunded accrued liability; and to provide for related matters.

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

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 11:1733(F)(1) and (2) are hereby amended and reenacted to read as  
12 follows:

13 §1733. Agreement for coverage of employees of incorporated cities, towns, and  
14 villages

15 \* \* \*

16 F.(1)(a) Notwithstanding any other provision of law, if an employer  
17 terminates its agreement for coverage of its employees, the employer shall remit that  
18 portion of the ~~unamortized frozen~~ unfunded accrued liability existing on June

1 thirtieth immediately prior to the date of termination which is attributable to the  
2 employer's participation in the system.

3 (b) Notwithstanding any other provision of law, if an employer eliminates  
4 an employee position or class of positions covered by this system by contracting with  
5 a private entity for the work formerly done by employees in eliminated positions, the  
6 employer shall remit that portion of the unfunded accrued liability existing on June  
7 thirtieth immediately prior to the date of privatization which is attributable to the  
8 eliminated position or class of positions.

9 (2) The amount due shall be determined by the actuary employed by the  
10 system using the entry age normal funding method and shall either be paid in a lump  
11 sum or amortized over ten years in equal monthly payments with interest at the  
12 system's actuarial valuation rate in the same manner as regular payroll payments to  
13 the system, at the option of the employer.

14 \* \* \*

15 Section 2. This Act shall become effective on July 1, 2018; if vetoed by the governor  
16 and subsequently approved by the legislature, this Act shall become effective on July 1,  
17 2018, or on the day following such approval by the legislature, whichever is later.

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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 33 Reengrossed

2018 Regular Session

Pearson

**Abstract:** To require participating employers to pay the unfunded accrued liability attributable to privatization of positions otherwise covered by the Municipal Employees' Retirement System of Louisiana (MERS) and to provide for use of the entry age normal funding method to calculate the amount owed.

Present law requires each incorporated city, town, or village seeking participation in MERS to submit an agreement of coverage for extending benefits to its employees. Present law requires that if the employer terminates the agreement of coverage, the employer shall remit the portion of the unamortized frozen unfunded accrued liability existing on June 30th immediately prior to the date of termination which is attributable to the employer's participation in the system. Requires that the amount due shall be determined by the actuary employed by the system and shall either be paid in a lump sum or amortized over 10 years in equal monthly payments with interest at the system's actuarial valuation rate in the same manner as regular payroll payments to the system, at the option of the employer. Proposed law requires that the actuary use the entry age normal funding method to calculate the

amount owed and provides that the employer is responsible for the total existing unfunded accrued liability attributable to the employer.

Proposed law further requires that if an employer eliminates an employee position or class of positions by contracting with a private entity for the work, the employer shall remit that portion of the unfunded accrued liability existing on June 30th immediately prior to the date of privatization which is attributable to the eliminated position or class of positions. The portion of the unfunded accrued liability shall be calculated and paid as provided by present law and proposed law.

Effective July 1, 2018.

(Amends R.S. 11:1733(F)(1) and (2))

#### Summary of Amendments Adopted by House

##### The House Floor Amendments to the engrossed bill:

1. Applicable to present law and proposed law, require the employer to pay its portion of the total unfunded accrued liability, not just the unamortized frozen accrued liability.
2. Applicable to present law and proposed law, require the system actuary to use the entry age normal funding method to calculate the unfunded accrued liability owed by the employer.