

2018 Regular Session

HOUSE BILL NO. 771

BY REPRESENTATIVE BACALA

RETIREMENT/MUNICIPAL POL: Provides for payment of unfunded accrued liability by an employer participating in the Municipal Police Employees' Retirement System

1 AN ACT

2 To amend and reenact R.S. 11:2225.4, relative to the payment of unfunded accrued liability  
3 by participating employers in the Municipal Police Employees' Retirement System;  
4 to provide for payment of unfunded accrued liability upon dissolution of a  
5 department or the reduction of the number of participating employees; to provide for  
6 the reinstatement of the number of participating employees; to provide for the  
7 amortization of payments; to provide for the collection of payments due; to provide  
8 definitions; 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. 11:2225.4 is hereby amended and reenacted to read as follows:

14 §2225.4. Unfunded accrued liability; payment by employer

15 A.(1) If any employer participating in the system fully dissolves its police  
16 department and contracts for police services with another entity, the employer shall  
17 remit to the system, ~~as further provided in this Subsection,~~ beginning the July first  
18 immediately following the date of dissolution, that portion of the unfunded accrued  
19 liability existing on the June thirtieth immediately prior to the date of dissolution of  
20 the police department, attributable to such employer and calculated using the

1 allocation percentage included in the prior fiscal year's employer pension report  
2 produced according to requirements established by the Governmental Accounting  
3 Standards Board. The amount due pursuant to the provisions of this Paragraph shall  
4 include interest at the system's valuation interest rate.

5 (2)(a) If a participating employer ~~does not dissolve its police department~~  
6 partially dissolves its police department, ~~but the salaries upon which contributions~~  
7 ~~are made by an employer to the system for a fiscal year are less than seventy percent~~  
8 ~~of the salaries upon which contributions were made to the system for the employer's~~  
9 ~~immediately prior fiscal year then the employer shall be deemed to have partially~~  
10 ~~dissolved its police department and shall~~ be liable for a pro rata portion of the  
11 system's unfunded accrued liability. The portion shall be calculated by applying the  
12 percentage decrease in the ~~employer's fiscal year over fiscal year salaries upon which~~  
13 ~~contributions are made~~ salaries paid to participating employees by the employer on  
14 June thirtieth of both fiscal years to the total payment that would have been required  
15 pursuant to the provisions of Paragraph (1) of this Subsection if the employer had  
16 fully dissolved its police department. Payments required pursuant to the provisions  
17 of this Paragraph shall include interest at the system's valuation interest rate.

18 (b) A participating employer shall be deemed to have partially dissolved its  
19 police department if either of the following occurs:

20 (i) The number of participating employees of such employer as of June  
21 thirtieth is less than seventy percent of the number of participating employees of  
22 such employer as of June thirtieth of the prior year and either the number of  
23 participating employees decreases by at least two or the number of participating  
24 employees is zero.

25 (ii) The number of participating employees of such employer as of June  
26 thirtieth is fifty fewer than the number of participating employees of such employer  
27 as of June thirtieth of the prior year.

28 B.(1) Any amount due pursuant to Subsection A of this Section shall be  
29 determined by the actuary employed by the system and shall be ~~paid either in a lump~~

1 ~~sum or~~ amortized over ~~ten~~ fifteen years in equal ~~monthly~~ payments with interest at  
2 the system's valuation interest rate. Payments shall be payable beginning July first  
3 of the fiscal year following the withdrawal and in the same manner as regular payroll  
4 payments to the system, at the option of the employer.

5 (2) If the number of participating employees of an employer subject to  
6 Paragraph (A)(2) of this Section returns to at least the number of participating  
7 employees as of the June thirtieth immediately preceding the withdrawal, the  
8 payments required by this Section shall cease on the July first following the increase  
9 in participating employees and no further payments shall be due with respect to such  
10 withdrawal. Any payments made pursuant to this Section will be credited as an  
11 offset of any amounts due by the employer attributable to any subsequent withdrawal  
12 that occurs within fifteen years of such payments.

13 C.(1) If an employer fails to make a payment timely, the amount due shall  
14 be collected in any of the following manners:

15 ~~(1)~~(a) By action in a court of competent jurisdiction against the delinquent  
16 employer. The amount due shall include interest calculated at the system's actuarial  
17 valuation rate, compounded annually.

18 ~~(2)~~(b) The board may certify to the state treasurer all amounts attributable  
19 to the delinquent employer. In support of such certification, the board shall submit  
20 to the treasurer a resolution certifying the name of the delinquent employer, its  
21 failure to pay, and the amount owed and shall name a designee or designees to act  
22 on the board's behalf. Upon receipt of such certification, the treasurer shall deduct  
23 from monies payable to the certified delinquent party the certified amount due and  
24 shall remit such deducted amounts directly to the Municipal Police Employees'  
25 Retirement System.

26 (2) Notwithstanding any other provision of law to the contrary, the board of  
27 trustees shall not collect any payments due from an employer for any partial  
28 dissolution that occurred prior to July 1, 2018.

1 D. For the purposes of this Section, the term "employer" shall have the same  
 2 meaning as provided in R.S. 11:2213 and shall include any municipality that  
 3 terminates participation in the system by dissolving its police department pursuant  
 4 to Subsection A of this Section. following terms shall have the following meanings:

5 (1) "Participating employee" shall mean an active member or participant in  
 6 the Deferred Retirement Option Plan.

7 (2) "Withdrawal" shall mean the dissolution or partial dissolution of a police  
 8 department as described in Subsection A of this Section.

9 Section 2. This Act shall become effective on July 1, 2018; if vetoed by the governor  
 10 and subsequently approved by the legislature, this Act shall become effective on July 1,  
 11 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 771 Original

2018 Regular Session

Bacala

**Abstract:** Changes the method used to determine whether employers participating in the Municipal Police Employees' Retirement System (the system) who reduce the number of participating employees are required to pay the unfunded accrued liability (UAL) attributable to those employees, and increases the amortization period for such payments.

Present law provides that a participating employer in the system that dissolves its police department shall pay the portion of the system's UAL attributable to that employer existing on the June 30 prior to the dissolution, with interest. Proposed law requires that the employer's UAL portion be calculated using the allocation percentage included in the prior fiscal year's employer pension report produced according to requirements established by the Governmental Accounting Standards Board.

Present law provides that if a participating employer does not dissolve its police department, but salaries upon which contributions are made by the employer are less than 70% of salaries from the prior fiscal year, the employer shall pay the portion of the UAL attributable to that employer equal to the percentage decrease of salaries, with interest. Proposed law changes the qualification for payment of UAL from a 30% or greater decrease in salaries to a 30% or greater decrease in active members and DROP participants, with at least a reduction of two participating employees, or a decrease to zero participating employees. Further requires payment of UAL if the number of participating employees decreases by 50.

Present law provides that the employer shall choose to make payments either as a lump sum or equal monthly payments amortized over 10 years. Proposed law provides that payments shall instead be amortized over 15 years in equal payments and shall be payable beginning July 1 of the fiscal year following the withdrawal.

Proposed law provides that if the number of participating employees of an employer whose department was partially dissolved returns to or exceeds the number of participating employees prior to the partial dissolution, payments shall cease on the July 1 following the increase. Any payments made will be credited as an offset of any amounts due for any subsequent withdrawal that occurs within 15 years of such payment.

Proposed law prohibits the board from collecting any payments as a result of a partial dissolution that occurred prior to July 1, 2018.

Effective July 1, 2018.

(Amends R.S. 11:2225.4)