

Regular Session, 2012

# ACT No. 716

HOUSE BILL NO. 1131

BY REPRESENTATIVE PEARSON

1 AN ACT

2 To amend and reenact R.S. 11:102(B)(1), (2)(introductory paragraph), (b)(introductory  
3 paragraph) and (ii), and (c), (3)(a) and (d)(vii), (4), and (5)(b) and to enact R.S.  
4 11:102(D), relative to employer contribution rates for the Teachers' Retirement  
5 System of Louisiana; to provide for calculation of individualized employer  
6 contribution rates for classes of employees; to provide for system valuations; and to  
7 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(B)(1), (2)(introductory paragraph), (b)(introductory  
13 paragraph) and (ii), and (c), (3)(a) and (d)(vii), (4), and (5)(b) are hereby amended and  
14 reenacted and R.S. 11:102(D) is hereby enacted to read as follows:

15 §102. Employer contributions; determination; state systems

16 \* \* \*

17 B.(1) Except as provided in Subsection C of this Section for the Louisiana  
18 State Employees' Retirement System and Subsection D of this Section for the  
19 Teachers' Retirement System of Louisiana and except as provided in R.S. 11:102.1,  
20 ~~and 102.2,~~ and in Paragraph (5) of this Subsection, for each fiscal year, commencing  
21 with Fiscal Year 1989-1990, for each of the public retirement systems referenced in  
22 Subsection A of this Section, the legislature shall set the required employer  
23 contribution rate equal to the actuarially required employer contribution, as

determined under Paragraph (3) of this Subsection, divided by the total projected payroll of all active members of each particular system for the fiscal year. Each entity funding a portion of a member's salary shall also fund the employer's contribution on that portion of the member's salary at the employer contribution rate specified in this Subsection.

(2) At the end of each fiscal year, the difference between the actuarially required employer contribution for the fiscal year, as determined under Paragraph (3) of this Subsection or pursuant to Subsection C of this Section for the Louisiana State Employees' Retirement System or Subsection D of this Section for the Teachers' Retirement System of Louisiana, and the amount of employer contributions actually received for the fiscal year, excluding any amounts received for the extraordinary purchase of additional benefits or service, shall be determined.

\* \* \*

(b) At the end of each fiscal year, the difference between the minimum employer contribution, as required by the Constitution of Louisiana, and the actuarially required employer contribution for the fiscal year, as determined under Paragraph (3) of this Subsection or pursuant to Subsection C of this Section for the Louisiana State Employees' Retirement System or Subsection D of this Section for the Teachers' Retirement System of Louisiana, shall be determined and applied in accordance with the following provisions:

\* \* \*

(ii) Except as provided in Paragraph (5) of this Subsection, annual contributions required in accordance with this Subsection, or the constitutional minimum if greater, may be funded in whole or in part from the employer credit account, provided the employee contribution rate or rates for the system as set forth in R.S. 11:62 has or have been reduced to an amount equal to or less than fifty percent of the annual normal cost for the system or the plan as provided in Subsection C or D of this Section, rounded to the nearest one-quarter percent.

\* \* \*

(c) Except as provided in R.S. 11:102.1 and 102.2, differences occurring for any other reason shall be added to or subtracted from the following fiscal year's actuarially required employer contribution in accordance with Subparagraph (3)(c) of this Subsection or with Subsection C of this Section for the Louisiana State Employees' Retirement System or Subsection D of this Section for the Teachers' Retirement System of Louisiana.

(3) With respect to each state public retirement system, the actuarially required employer contribution for each fiscal year, commencing with Fiscal Year 1989-1990, shall be that dollar amount equal to the sum of:

(a) The employer's normal cost for that fiscal year, computed as of the first of the fiscal year using the system's actuarial funding method as specified in R.S. 11:22 and taking into account the value of future accumulated employee contributions and interest thereon, such employer's normal cost rate multiplied by the total projected payroll for all active members to the middle of that fiscal year. For the Louisiana State Employees' Retirement System, effective for the June 30, 2010, system valuation and beginning with Fiscal Year 2011-2012, the normal cost shall be determined in accordance with Subsection C of this Section. For the Teachers' Retirement System of Louisiana, effective for the June 30, 2011, system valuation and beginning with Fiscal Year 2012-2013, the normal cost shall be determined in accordance with Subsection D of this Section.

\* \* \*

(d) That fiscal year's payment, computed as of the first of that fiscal year and projected to the middle of that fiscal year at the actuarially assumed interest rate, necessary to amortize changes in actuarial liability due to:

\* \* \*

(vii) Effective July 1, 2004, and beginning with Fiscal Year 2000-2001, the amortization period for the changes, gains, or losses of the Teachers' Retirement System of Louisiana provided in Items (i) through (iv) of this Subparagraph shall be thirty years, or in accordance with standards promulgated by the Governmental Accounting Standards Board, from the year in which the change, gain, or loss

1 occurred. The outstanding balances of amortization bases established pursuant to  
2 Items (i) through (iv) of this Subparagraph before Fiscal Year 2000-2001, shall be  
3 amortized as a level dollar amount from July 1, 2004, through June 30, 2029.  
4 Beginning with Fiscal Year 2003-2004, and for each fiscal year thereafter, the  
5 outstanding balances of amortization bases established pursuant to Items (i) through  
6 (iv) of this Subparagraph shall be amortized as a level dollar amount. For the  
7 Teachers' Retirement System of Louisiana, effective for the June 30, 2011, system  
8 valuation and beginning with Fiscal Year 2012-2013, amortization payments for  
9 changes in actuarial liability shall be determined in accordance with Subsection D  
10 of this Section.

11 \* \* \*

12 (4) At the end of the fiscal year during which the assets of a system,  
13 excluding the outstanding balance due to Subparagraph (B)(3)(c) of this Section,  
14 exceed the actuarial accrued liability of that system, the amortization schedules  
15 contained in Subparagraphs (B)(3)(b) and (d) or in Subsection C of this Section for  
16 the Louisiana State Employees' Retirement System or Subsection D of this Section  
17 for the Teachers' Retirement System of Louisiana shall be fully liquidated and assets  
18 in excess of the actuarial accrued liability shall be amortized as a credit in  
19 accordance with the provisions of Subparagraph (B)(3)(d) of this Section.

20 (5)

21 \* \* \*

22 (b) At the end of each fiscal year, the difference, if any, by which the amount  
23 of contributions received from payment of all employer contributions at the fixed  
24 minimum employer contribution rate established pursuant to this Paragraph exceeds  
25 the greater of the minimum employer contribution required by Article X, Section 29  
26 of the Constitution of Louisiana or the statutory minimum employer contribution  
27 calculated according to the methodology provided for in Items (3)(d)(i) through (iv)  
28 of this Subsection or in Paragraph (C)(4) of this Section for the Louisiana State  
29 Employees' Retirement System or Paragraph (D)(4) of this Section for the Teachers'

Retirement System of Louisiana shall be accumulated in an employer credit account for the respective system.

\* \* \*

D.(1) This Subsection shall be applicable to the Teachers' Retirement System of Louisiana effective for the June 30, 2011, system valuation and beginning Fiscal Year 2012-2013. For purposes of this Subsection, "plan" or "plans" shall mean a subgroup within the system characterized by the following employee classifications:

(a) School lunch Plan A.

(b) School lunch Plan B.

(c) Employees of an institution of postsecondary education, the Board of Regents, or a postsecondary education management board who are not employed for the sole purpose of providing instruction or administrative services at the primary or secondary level, including at any lab school and the Louisiana School for Math, Science, and the Arts.

(d) Any other specialty retirement plan provided for a subgroup of system members. If the legislation enacting such a plan is silent as to the application of this Subsection, the Public Retirement Systems' Actuarial Committee shall provide for the application to such plan.

(e) All other teachers, as defined in R.S. 11:701(33).

(2) For the Teachers' Retirement System of Louisiana, effective for the June 30, 2011, system valuation and beginning with Fiscal Year 2012-2013, the normal cost calculated pursuant to Subparagraph (B)(3)(a) of this Section, shall be calculated separately for each particular plan within the system. An employer shall pay employer contributions for each employee at the rate applicable to the plan of which that employee is a member.

(3) For the Teachers' Retirement System of Louisiana, effective for the June 30, 2011, system valuation and beginning with Fiscal Year 2012-2013, changes in actuarial liability due to legislation, changes in governmental organization, or reclassification of employees or positions shall be calculated individually for each

1 particular plan within the system based on each plan's actuarial experience as further  
2 provided in Subparagraph (4)(c) of this Subsection.

3 (4) For each plan referenced in Paragraph (1) of this Subsection, the  
4 legislature shall set the required employer contribution rate equal to the sum of the  
5 following:

6 (a) The particularized normal cost rate. The normal cost rate for each fiscal  
7 year shall be the employer's normal cost for employees in the plan computed by  
8 applying the method specified in Paragraph (B)(1) and Subparagraph (B)(3)(a) of  
9 this Section to the plan.

10 (b) The shared unfunded accrued liability rate. A single rate shall be  
11 computed for each fiscal year, applicable to all plans for actuarial changes, gains, and  
12 losses existing on June 30, 2011, or occurring thereafter, including experience and  
13 investment gains and losses, which are independent of the existence of the plans  
14 listed in Paragraph (1) of this Subsection, the payment and rate therefor shall be  
15 calculated as provided in Paragraphs (B)(1) and (3) of this Section.

16 (c) The particularized unfunded accrued liability rate. For actuarial changes,  
17 gains, and losses, excluding experience and investment gains and losses, first  
18 recognized in the June 30, 2011, valuation or in any later valuation, attributable to  
19 one or more, but not all, plans listed in Paragraph (1) of this Subsection or to some  
20 new plan or plans, created, implemented, or enacted after July 1, 2011, a  
21 particularized contribution rate shall be calculated as provided in Paragraphs (B)(1)  
22 and (3) of this Section.

23 (d) The shared gross employer contribution rate difference. The gross  
24 employer contribution rate difference shall be the difference between the minimum  
25 gross employer contribution rate provided in Paragraph (B)(5) of this Section and the  
26 aggregate employer contribution rate calculated pursuant to the provisions of  
27 Subsection B of this Section.

28 (5) Each entity funding a portion of the member's salary shall also fund the  
29 employer's contribution on that portion of the member's salary at the employer  
30 contribution rate specified in this Subsection.

1                   (6) For purposes of Paragraph (B)(2) of this Section the actuarially required  
2                   employer contributions and the employer contributions actually received for all plans  
3                   shall be totaled and treated as a single contribution.

4                   (7) If provisions of this Section cover matters not specifically addressed by  
5                   the provisions of this Subsection, then those provisions shall be applicable.

6                   Section 2.(A) As soon as practicable after the effective date of this Act, the Public  
7                   Retirement Systems' Actuarial Committee shall meet to adopt a revised valuation for the  
8                   system prepared as provided in R.S. 11:102. This valuation shall include a revised employer  
9                   contribution rate for each plan within the system to be utilized in the fiscal year which begins  
10                  on July 1, 2012. This valuation shall incorporate all changes enacted by the legislature in the  
11                  2012 Regular Session of the Legislature of Louisiana.

12                  (B) The Public Retirement Systems Actuarial Committee is hereby authorized to  
13                  adopt an actuarial valuation or revised employer contribution rate to be utilized in the fiscal  
14                  year which begins on July 1, 2012, calculated in accordance with R.S. 11:102, which has  
15                  been prepared on behalf of the division of administration by a member of the American  
16                  Academy of Actuaries who meets the qualification requirements of the academy to issue a  
17                  particular statement of actuarial opinion.

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

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SPEAKER OF THE HOUSE OF REPRESENTATIVES

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PRESIDENT OF THE SENATE

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GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: \_\_\_\_\_