Regular Session, 2014

HOUSE BILL NO. 44

BY REPRESENTATIVE PEARSON (BY REQUEST)

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

1   AN ACT

2 To amend and reenact R.S. 11:102(D)(4)(introductory paragraph) and to enact R.S. 11:102.3

3   and 102.4, relative to payment of certain unfunded accrued liability of the Teachers'

4   Retirement System of Louisiana; to provide relative to calculation and distribution

5   of certain minimum foundation program funds; to provide relative to the powers and

6   duties of the Department of Education; to provide relative to the powers and duties

7   of the board of trustees of the retirement system; to provide relative to the calculation

8   of employer contribution rates; 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. 11:102(D)(4)(introductory paragraph) is hereby amended and

14 reenacted and R.S. 11:102.3 and 102.4 are hereby enacted to read as follows:

15   §102. Employer contributions; determination; state systems

16   *   *   *

17   D.

18   *   *   *

1   (4) Except as provided in R.S. 11:102.3 and 102.4, for ~~For~~ each plan

2   referenced in Paragraph (1) of this Subsection, the legislature shall set the required

3   employer contribution rate equal to the sum of the following:

4   *   *   *

5   §102.3. Payments by the Louisiana Department of Education to the Teachers'

6   Retirement System of Louisiana; 1988 unfunded accrued liability

7   A. The Legislature of Louisiana recognizes its constitutional obligation to

8   attain and maintain the actuarial soundness of the state and statewide retirement

9   systems as well as its constitutional obligation to pay by 2029 the unfunded accrued

10   liability of the state systems existing as of June 30, 1988. The legislature further

11   recognizes that the minimum foundation program formula contains amounts intended

12   to pay retirement costs, which include funds to pay the unfunded accrued liability of

13   the retirement system existing as of June 30, 1988. Therefore, beginning Fiscal Year

14   2014-2015 and continuing each year thereafter the legislature directs the Louisiana

15   Department of Education to allocate annually to the Teachers' Retirement System of

16   Louisiana, in this Section, the "retirement system", from the minimum foundation

17   program an amount sufficient to make the annual payments required by this Section

18   on the system's Original Amortization Base on behalf of all employers receiving

19   funds through the minimum foundation program formula.

20   B. Notwithstanding any provision of R.S. 11:102(D)(4) to the contrary, the

21   retirement system actuary shall annually determine the amount of the cost of the

22   mid-year amortization payment on the Original Amortization Base schedule which

23   reflects the percentage of the payment allocated to elementary and secondary

24   education employers. Once determined, the system actuary shall adjust such cost to

25   an actuarial equivalent for a ten-month payment period, comprising equal payments.

26   This amount shall be converted to a contribution rate calculated across the active

27   payroll of all employers participating in the retirement system as well as the active

28   payroll of all personnel who are employed by a private employer receiving minimum

29   foundation program funds and whose employment would qualify them for

1   membership in the retirement system if they were employees of a local school board.

2   The calculation shall be based on all employer payroll data available to the system

3   for the fiscal year ending June 30th of the immediately preceding year, including

4   reports required by Subsection F of this Section. The retirement system shall

5   annually invoice the Louisiana Department of Education for this amount and provide

6   the contribution rate calculated pursuant to the provisions of this Subsection as well

7   as the total number of employees considered in the rate calculation. The invoiced

8   amount, the contribution rate, and the number of employees shall be reviewed and

9   approved by the Public Retirement Systems' Actuarial Committee as part of the

10   process of annually adopting an actuarial valuation for the Teachers' Retirement

11   System of Louisiana.

12   C. The department shall make contributions to the retirement system from

13   formula funds at the approved rate using the approved total number of employees.

14   Such contributions shall be made on behalf of all employers receiving formula funds.

15   The contributions shall be paid monthly for ten months, beginning in the September

16   immediately following approval of the invoiced amount.

17   D. Remaining funds appropriated for the minimum foundation program after

18   the payments required by this Section and R.S. 11:102.4 shall be distributed and used

19   as otherwise provided by law and the formula approved by the legislature.

20   E. The Teachers' Retirement System of Louisiana shall determine the

21   balance of amounts due pursuant to R.S. 11:102 as a percentage of payroll in

22   accordance with the provisions of R.S. 11:102, which shall be reviewed and

23   approved by the Public Retirement Systems' Actuarial Committee as part of the

24   process of annually adopting an actuarial valuation for the Teachers' Retirement

25   System of Louisiana. Each employer that receives formula funds and that employs

26   contributing members of the retirement system is liable to the retirement system for

27   its share of this balance of amounts due.

28   F. Each employer receiving minimum foundation program funding whose

29   employees are not members of the retirement system shall make quarterly reports to

1   the department and to the retirement system verifying gross wages paid to employees

2   whose employment would otherwise qualify them to meet the definition of "teacher"

3   in R.S. 11:701(33) if they were employees of a local school board, as reported on

4   Internal Revenue Service Form 941 payroll tax statements. Each report shall be

5   made at the same time the form is submitted to the Internal Revenue Service.

6   §102.4. Payments by the Louisiana Department of Education to the Teachers'

7   Retirement System of Louisiana; post-1988 unfunded accrued liability

8   A. The Legislature of Louisiana recognizes that the minimum foundation

9   program formula contains amounts intended to pay retirement costs, which include

10   funds to pay the unfunded accrued liability of the retirement system. Therefore,

11   beginning Fiscal Year 2014-2015 and continuing each year thereafter the legislature

12   directs the Louisiana Department of Education to allocate annually from the

13   minimum foundation program an amount sufficient to make the annual payment to

14   the Teachers' Retirement System of Louisiana, in this Section, the "retirement

15   system", as required by this Section on behalf of all employers receiving funds

16   through the minimum foundation program formula.

17   B. Notwithstanding any provision of R.S. 11:102(D)(4) to the contrary, the

18   retirement system actuary shall annually determine the amount of the cost of the

19   mid-year amortization payment on all existing amortization schedules, with the

20   exception of the Original Amortization Base schedule, provided in the most recent

21   system valuation adopted by the Public Retirement Systems' Actuarial Committee,

22   which reflects the percentage of the payment allocated to elementary and secondary

23   education employers. Once determined, the system actuary shall adjust such cost to

24   an actuarial equivalent for a ten-month payment period, comprising equal payments.

25   This amount shall be converted to a contribution rate calculated across the active

26   payroll of all employers participating in the retirement system as well as the active

27   payroll of all personnel who are employed by a private employer receiving minimum

28   foundation program funds and whose employment would qualify them for

29   membership in the retirement system if they were employees of a local school board.

1   The calculation shall be based on all employer payroll data available to the system

2   for the fiscal year ending June 30th of the immediately preceding year, including

3   reports required by Subsection F of this Section. The retirement system shall

4   annually invoice the Louisiana Department of Education for this amount and provide

5   the contribution rate calculated pursuant to the provisions of this Subsection as well

6   as the total number of employees considered in the rate calculation. The invoiced

7   amount, the contribution rate, and the number of employees shall be reviewed and

8   approved by the Public Retirement Systems' Actuarial Committee as part of the

9   process of annually adopting an actuarial valuation for the Teachers' Retirement

10   System of Louisiana.

11   C. The department shall make contributions to the retirement system from

12   formula funds at the approved rate using the approved total number of employees.

13   Such contributions shall be made on behalf of all employers receiving formula funds.

14   The contributions shall be paid monthly for ten months, beginning in the September

15   immediately following approval of the invoiced amount.

16   D. Remaining funds appropriated for the minimum foundation program after

17   the payments required by this Section and R.S. 11:102.3 shall be distributed and used

18   as otherwise provided by law and the formula approved by the legislature.

19   E.   The Teachers' Retirement System of Louisiana shall determine the

20   balance of amounts due pursuant to R.S. 11:102 as a percentage of payroll in

21   accordance with the provisions of R.S. 11:102, which shall be reviewed and

22   approved by the Public Retirement Systems' Actuarial Committee as part of the

23   process of annually adopting an actuarial valuation for the Teachers' Retirement

24   System of Louisiana. Each employer that receives formula funds and that employs

25   contributing members of the retirement system is liable to the retirement system for

26   its share of this balance of amounts due.

27   F. Each employer receiving minimum foundation program funding whose

28   employees are not members of the retirement system shall make quarterly reports to

29   the department and to the retirement system verifying gross wages paid to employees

1   whose employment would otherwise qualify them to meet the definition of "teacher"

2   in R.S. 11:701(33) if they were employees of a local school board, as reported on

3   Internal Revenue Service Form 941 payroll tax statements. Each report shall be

4   made at the same time the form is submitted to the Internal Revenue Service.

5   Section 2. The Legislature of Louisiana acknowledges that, for the purposes of

6   implementing Directive No. 68 of the Governmental Accounting Standards Board, the state

7   is a nonemployer contributing entity with regard to any payments due to the retirement

8   system for the unfunded accrued liability existing as of June 30, 2014. The Legislature of

9   Louisiana expressly denies that the state is constitutionally required to provide payments for

10   unfunded accrued liability created after June 30, 1988.

11   Section 3. As soon as practicable after the effective date of this Act, the Public

12   Retirement Systems' Actuarial Committee shall meet to adopt a revised valuation for the

13   system, prepared as provided by this Act. This valuation shall include a revised employer

14   contribution rate for the K-12 plan in the Teachers' Retirement System to be utilized in the

15   fiscal year which begins on July 1, 2014.

16   Section 4. The provisions of this of this Act shall become effective on June 3, 2014;

17   if vetoed by the governor and subsequently approved by the legislature, this Act shall

18   become effective on June 3, 2014, or on the day following such approval by the legislature,

19   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. 44

Abstract: Requires the Dept. of Education to remit payments from minimum foundation
program (MFP) funds to the Teachers' Retirement System of La. (TRSL) to cover
debt payment on unfunded accrued liability (UAL) of the system attributable to K-12
employers.

Present constitution creates the MFP to provide minimum education funding for public
elementary and secondary education 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. MFP monies are also received by
charter schools.

Proposed law generally requires the Dept. of Education to send MFP funds to TRSL for application toward the system's initial unfunded accrued liability (IUAL) and post-1988 UAL prior to MFP funds being sent to school districts and charter schools. More detail on proposed law is contained below.

Calculation of contribution rates

Present law (R.S. 11:102) establishes the calculation for annual employer contribution rates for employers participating in the state retirement systems, including TRSL. A part of the employer contribution rate is an amount to fund debt service on the unfunded accrued liabilities of the retirement system—both the unfunded accrued liability that existed as of June 30, 1988, (IUAL) and the unfunded accrued liability (UAL) created after June 30,1988. Proposed law retains present law.

Present law establishes the employer contribution rates as a percentage of the total payroll of all active, contributing members of the system. In general terms, the rate is calculated by dividing the amount determined to be due to cover all costs (including payments on debt) by the payroll of active members of the system. Proposed law retains present law for all postsecondary education employers and for all costs except debt payments owed by K-12 employers.

For K-12 employers, proposed law provides that the portions of IUAL and UAL debt owed by such employers are divided by the payroll of active members of TRSL and of charter schools, whose employees do not participate in TRSL, using the payroll of employees who would have been in TRSL if they were school board employees.

UAL existing as of June 30, 1988

Present constitution (Art. X, §29(E)(2)(c)) provides that the legislature annually guarantees an amount necessary to fund payments on the IUAL debt of state retirement systems until such debt is retired.

Proposed law (R.S. 11:102.3) requires annual payment of 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 the amount due to be calculated as a rate based on the payroll of all entities who receive MFP funds, as described in more detail in the previous section. Further requires the rate and the total payroll figures used to calculate it 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.

Proposed law requires the department to pay the required rate to the retirement system on behalf of all employers receiving formula funds. The department shall pay the rate for 10 months beginning in the Sept. immediately following the approval of the rate.

Proposed law further requires TRSL to calculate as a percentage of payroll the balance of amounts due pursuant to present law from contributing employers. 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.

UAL created after June 30, 1988

Proposed law (R.S. 11:102.4) requires annual payment of an amount sufficient to cover the portion of the UAL payment (excluding IUAL) owed by elementary and secondary employers in TRSL from the MFP monies before such monies are distributed to school boards. Proposed law requires the amount due to be calculated as a rate based on the payroll of all entities who receive MFP funds, as described in more detail above. Further requires

the rate and the total payroll figures used to calculate it to be reviewed and approved by PRSAC when the committee reviews and adopts an actuarial valuation for TRSL each year.

Proposed law requires the department to pay the required rate to the retirement system on behalf of all employers receiving formula funds. The department shall pay the rate for 10 months beginning in the Sept. immediately following approval of the rate.

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.

Proposed law requires the state to carry on its financial statements for the purposes of Governmental Accounting Standards Board Directive No. 68, the total outstanding UAL of TRSL.

Proposed law further expressly denies that the constitution requires the state to provide payments for UAL created after June 30, 1988.

Proposed law requires the PRSAC to meet and adopt a revised employer contribution rate for K-12 employers for FY 2014-2015, based on the provisions contained in the Act.

Effective June 3, 2014.

(Amends R.S. 11:102(D)(4)(intro. para.); Adds R.S. 11:102.3 and 102.4)