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The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Margaret M. Corley.

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DIGEST

SB 285 Original

2015 Regular Session

Adley

Present law provides for multiple employer contribution rates at Teachers' Retirement System of Louisiana (Teachers') for the various subgroups within the system. The subgroups are:

- (1) Lunch Plan A.
- (2) Lunch Plan B.
- (3) Employees of an institution of postsecondary education or management board.
- (4) All other teachers.

Proposed law retains present law and designates the employees of an institution of postsecondary education or management board as "specialty plan 1".

Proposed law consolidates Lunch Plan A and B into a single plan with all other teachers for rate purposes and designates the subgroup as "specialty plan 2".

Present law provides for a formula to determine the employer contributions of each subgroup within Teachers'.

Proposed law retains present law and provides that the formula shall split the unfunded accrued liability (UAL) into particularized portions for each specialty plan.

Proposed law provides that the UAL shall be particularized according to the accrued liabilities attributable to each specialty plan as of the June 30th of the applicable valuation year, beginning with the June 30, 2014 valuation.

Proposed law provides a formula to determine the allocation of assets to each specialty plan based on its proportionate share of accrued liabilities.

|                                      |   |  |   |  |
|--------------------------------------|---|--|---|--|
| Assets Allocated<br>Specialty Plan 1 | = | Total Actuarial Value of<br>Teachers' Assets on June 30,<br>2014 | x | The Accrued Liability<br>Attributable to Specialty<br>Plan 1 |
|                                      |   |  |   | The Total Teachers'<br>Accrued Liability                     |

|                                      |   |  |   |   |
|--------------------------------------|---|--|---|---|
| Assets Allocated<br>Specialty Plan 2 | = | Total Actuarial Value of<br>Teachers' Assets on June 30,<br>2014 | - | Assets Allocated<br>to Specialty Plan 1 |
|--------------------------------------|---|--|---|---|

Proposed law provides a formula to determine the UAL of each specialty plan.

|                           |   |   |   |   |
|---------------------------|---|---|---|---|
| Specialty Plan 1's<br>UAL | = | Specialty Plan 1's Accrued<br>Liability | - | Assets Allocated<br>to Specialty Plan 1 |
|---------------------------|---|---|---|---|

|                           |   |   |   |   |
|---------------------------|---|---|---|---|
| Specialty Plan 2's<br>UAL | = | Specialty Plan 2's<br>Accrued Liability | - | Assets Allocated<br>to Specialty Plan 2 |
|---------------------------|---|---|---|---|

Proposed law provides that each valuation shall contain 3 schedules of amortization bases:

- (1) The aggregate schedule as currently prepared.
- (2) Specialty plan 1 schedule.
- (3) Specialty plan 2 schedule.

Proposed law provides that, for time period and determination of payments, no amortization schedule shall change. Proposed law further provides that each amortization schedule shall be allocated in the proportions calculated for each specialty plan's share of accrued liabilities.

Present law provides a formula for the contribution rate. Proposed law retains present law and further provides that the contribution rate shall include the particularized UAL payment attributable to each specialty plan.

Proposed law provides that for the 2015-2016 Fiscal Year, all actuarial assumptions and methods necessary for determining the particularized UAL payments shall be based on the June 30, 2014 Teachers' valuation adopted by the Public Retirement Systems' Actuarial Committee (PRSAC) on

Nov. 19, 2014.

Proposed law provides that in each valuation immediately following the experience study required by present law (R.S. 11:834(A)(2)), to occur every five years, the UAL and each amortization base shall be reallocated to the specialty plans according to the original formula.

Proposed law provides that for years in which no experience study takes place, all gains and losses of the system shall be divided in accordance with the percentages attributable to the specialty plan 1 and specialty plan 2 shares. Provides that schedules for amortization of contribution variance shall be based on actual collections.

Proposed law provides that PRSAC shall meet as soon as practicable to adopt a revised valuation in accordance with the provisions of proposed law.

Proposed law provides that contribution rates in proposed law shall only be effective for a fiscal year in which the Legislative Auditor provides written certification to the system that funds have been appropriated by the legislature through direct appropriation in a law which has become effective which, upon receipt by the system, will be sufficient to offset the increase in the total contributions required by proposed law to be paid by the specialty plan employers.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 11:102(D); adds R.S. 11:102(E))