

2016 Regular Session

SENATE BILL NO. 452

BY SENATOR WHITE

TEACHERS RETIREMENT. Allows a participating employer to opt out of the system.
(6/30/16)

1 AN ACT
2 To amend and reenact R.S. 11:721 and to enact R.S. 11:721.2 and 887.1, relative to
3 participation in the Teachers' Retirement System of Louisiana by elementary and
4 secondary public school employers; to provide for the prospective termination of an
5 employer's participation in the system; to provide for payment of unfunded accrued
6 liability by an employer that terminates participation or withdraws some or all of its
7 employees from the retirement system; to provide for all other withdrawal liabilities
8 of such employers; to provide for determination of amount of withdrawal liability
9 and collection of payments therefor; to provide an effective date; and to provide for
10 related matters.

11 Notice of intention to introduce this Act has been published.

12 Be it enacted by the Legislature of Louisiana:

13 Section 1. R.S. 11:721 is hereby amended and reenacted and R.S. 11:721.2 and
14 887.1 are hereby enacted to read as follows:

15 §721. Eligibility requirement for membership

16 ~~At~~ **Except as provided in R.S. 11:721.2, all** teachers shall become members
17 of this system as a condition of their employment.

* * *

§721.2. Prospective termination of participation by an employer

A. Any city, parish, or other local school board or any other agency of and within the state or a political subdivision that is an elementary or secondary public school employer participating in the system may elect to prospectively terminate participation in the system.

B. Any employer making such election shall notify the board of trustees of the system in writing at least ninety days prior to the close of the system's fiscal year.

C. Prospective termination shall occur on the June thirtieth following notification and shall be effective for the fiscal year beginning on the following July first.

D.(1) Any person whose first employment making him eligible for system membership occurs before the termination provided for in this Section shall be a member of the system during employment with the terminating employer, even if such employment begins after the termination date.

(2) Any person whose first employment making him eligible for system membership occurs after the termination provided for in this Section shall not be eligible for membership upon his employment with the terminating employer.

E. The provisions of this Section shall not apply to any institution of postsecondary education or to any postsecondary education management board.

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§887.1. Unfunded accrued liability; payment by employing agency

A.(1)(a) Notwithstanding any other provision of law to the contrary, if an employing agency is authorized by law to terminate its participation in the retirement system and terminates participation for all of its employees or for future employees only, such employing agency shall remit to the retirement system its proportionate share of any unfunded actuarial accrued liability of the

1 retirement system, as further provided in this Section.

2 (b) Notwithstanding any other provision of law to the contrary, if an
3 employing agency terminates its participation in the retirement system as
4 authorized by administrative action, contract, or other legally authorized
5 action, and terminates participation for all of its employees or for future
6 employees only, any entity authorizing such termination shall remit to the
7 retirement system the employing agency's proportionate share of any unfunded
8 actuarial accrued liability of the retirement system, as further provided in this
9 Section.

10 (c) Notwithstanding any other provision of law to the contrary, if an
11 employing agency whose new employees are not members of the retirement
12 system hires any person previously employed by another employing agency
13 whose employees are members of the retirement system, there shall be no
14 increase in the employing agency's proportionate share of any unfunded
15 accrued liability established pursuant to this Section as of the agency's
16 termination date; however, the employing agency shall be required to make any
17 employer contributions required by R.S. 11:102 if the person remains a system
18 member.

19 (2) Notwithstanding any other provision of law to the contrary, if an
20 employing agency terminates its participation in the retirement system for some
21 of its employees by eliminating positions held by such employees through
22 privatization, the employer shall remit to the retirement system its
23 proportionate share of any unfunded actuarial accrued liability, as further
24 provided in this Section.

25 (3)(a) Notwithstanding any other provision of law to the contrary, if a
26 school or entity under an employer's jurisdiction is converted to any other
27 governance model and, by administrative action, contract, or other legally
28 authorized action, the prospective employing entity is permitted by the
29 employer to terminate its participation or forgo participation in the retirement

1 system, the employer shall remit to the retirement system the proportionate
2 share of any unfunded actuarial accrued liability, as further provided in this
3 Section.

4 (b) Notwithstanding any other provision of law to the contrary, if a
5 school or entity under an employer's jurisdiction is transferred to any other
6 entity and the receiving entity permits the prospective employing agency, as
7 applicable, to terminate participation or forgo participation in the retirement
8 system, the receiving entity shall remit to the retirement system the
9 proportionate share of any unfunded actuarial accrued liability, as further
10 provided in this Section.

11 (4) For purposes of this Section, the following terms shall have the
12 following meanings:

13 (a) "Proportionate share of any unfunded accrued liability" shall mean
14 the unfunded accrued liability, if any, which is attributable to benefits accrued
15 by or granted to employees and retirees of the employing agency which was
16 established during the period of time that the employing agency was a
17 participating employer with the retirement system or, with respect to
18 Paragraph (3) of this Subsection, during the period of time the school or entity
19 was under the employer's jurisdiction.

20 (b) "Privatization" shall mean the elimination of positions eligible for
21 membership in the retirement system without eliminating the services provided
22 or delivered or the functions performed, and the outsourcing, contracting for
23 the service or function with a private employer, or utilization of any other legal
24 mechanism having the same effect, with the result that the service or function
25 previously provided, delivered, or performed by an employee in a retirement
26 system-covered position is now provided, delivered, or performed by a person
27 or persons in positions which are not eligible for system coverage.

28 B.(1) The actuary employed by the retirement system shall determine
29 the amounts required to be remitted pursuant to this Section as of the June

1 thirtieth immediately prior to the respective date of the termination of
2 participation, elimination of positions, or conversion or transfer of the school
3 or entity.

4 (2)(a) Should the entity responsible for payment disagree with the
5 amounts determined by the retirement system actuary, such entity may appeal
6 to the Public Retirement Systems' Actuarial Committee within thirty days of
7 receipt of the invoice.

8 (b) The legislative auditor shall perform an independent determination
9 of the amounts due and in the event his calculation disagrees with that of the
10 retirement system actuary, the committee shall meet and render a final
11 determination. In the event the calculations agree, the invoice shall be due as
12 provided in this Section.

13 (3) The amounts due pursuant to this Section shall, at the option of the
14 employing agency, be paid in one of the following ways, if deemed appropriate
15 by the system actuary:

16 (a) In a lump sum.

17 (b) In equal monthly payments with interest at the retirement system's
18 actuarial valuation rate amortized over a period not to exceed ten years.

19 (c) In a particularized amount to be paid as a percentage of the payroll
20 of the active employees of the electing employer remaining in the system.

21 (4) After the last employee participating in the system separates from
22 service, the employer shall remit the balance of the amount due to the system
23 as provided for in Subparagraph (3)(a) or (3)(b) of this Subsection.

24 C. Should an employing agency fail to make payment pursuant to this
25 Section timely, the amount due shall be collected in the manner authorized by
26 R.S. 11:886 and 887.

27 Section 2. The provisions of this Act shall apply to any eligible employing agency
28 participating in the retirement system in any plan year ending on or after June 30, 2016.

29 Section 3. This Act shall become effective on June 30, 2016; if vetoed by the

1 governor and subsequently approved by the legislature, this Act shall become effective on
2 June 30, 2016, or on the day following such approval by the legislature, whichever is later.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Laura Gail Sullivan.

DIGEST

SB 452 Original

2016 Regular Session

White

Present law does not provide for a mechanism for an employer to withdraw some or all of its employees from the Teachers' Retirement System of Louisiana (TRSL). Present law does not permit an employer to terminate TRSL participation effective for future employees.

Proposed law allows a K-12 employer to terminate participation in TRSL on a prospective basis, making certain future hires ineligible for TRSL membership. Provides for notification to TRSL of the election to terminate participation.

Proposed law relative to TRSL provides that if an employing agency is authorized by law to terminate its participation in the retirement system and terminates its participation for some or all of its employees, such employing agency shall remit to the retirement system its share of any unfunded accrued liability (UAL) of the retirement system existing on the June 30th immediately prior to the date of the employing agency's termination.

Proposed law defines "proportionate share of any unfunded accrued liability" and "privatization" for purposes of proposed law.

Proposed law provides that the amounts due shall be determined by TRSL's actuary and shall be paid in a lump sum or amortized over ten years or less in equal monthly payments with interest at TRSL's actuarial valuation rate, at the option of the employer. Provides that the calculation shall account for any legacy costs attributable to the employing agency's retirees.

Proposed law provides that should an employing agency fail to make payment the amount due shall be collected in the manner authorized by present law (R.S. 11:886 and 887).

Effective June 30, 2016.

(Amends R.S. 11:721; adds R.S. 11:721.2 and 887.1)