

Regular Session, 2011

SENATE BILL NO. 6

BY SENATOR GAUTREAUX

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

TEACHERS RETIREMENT. Provides for continued payment of the unfunded accrued liability portion of employer contributions after participation ceases. (6/30/11)

AN ACT

To enact R.S. 11:887.1, relative to the Teachers' Retirement System of Louisiana; to provide for payment of unfunded accrued liability by an employer that withdraws some or all of its employees from the retirement system; to provide for all other withdrawal liabilities of such employers; to provide for determination of amount of withdrawal liability payment and collection of same; to provide an effective date; and to provide for related matters.

Notice of intention to introduce this Act has been published.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 11:887.1 is hereby enacted to read as follows:

§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, such employing agency shall remit to the retirement system its proportionate share of any unfunded actuarial accrued liability of the retirement system, as further provided in this Section.

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

8 **(c) Notwithstanding any other provision of law to the contrary, if an**
9 **employing agency whose employees are not members of the retirement system,**
10 **hires any employee previously employed by another employing agency whose**
11 **employees were members of the retirement system there shall be no obligation**
12 **on the part of the hiring employing agency for any unfunded accrued liability**
13 **resulting from the employee's previous employment.**

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

20 **(3)(a) Notwithstanding any other provision of law to the contrary, if a**
21 **school or entity under an employer's jurisdiction is converted to any other**
22 **governance model and, by administrative action, contract, or other legally**
23 **authorized action, the prospective employing entity is permitted by the**
24 **employer to terminate its participation or forgo participation in the retirement**
25 **system, the employer shall remit to the retirement system the proportionate**
26 **share of any unfunded actuarial accrued liability, as further provided in this**
27 **Section.**

28 **(b) Notwithstanding any other provision of law to the contrary, if a**
29 **school or entity under an employer's jurisdiction is transferred to any other**

1 entity and the receiving entity permits the prospective employing agency, as
2 applicable, to terminate participation or forgo participation in the retirement
3 system, the receiving entity shall remit to the retirement system the
4 proportionate share of any unfunded actuarial accrued liability, as further
5 provided in this Section.

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

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

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

23 B.(1) The actuary employed by the retirement system shall determine
24 the amounts required to be remitted pursuant to this Section as of the June
25 thirtieth immediately prior to the respective date of the termination of
26 participation, elimination of positions, or conversion or transfer of the school
27 or entity.

28 (2)(a) Should the entity responsible for payment disagree with the
29 amounts determined by the retirement system actuary, such entity may appeal

1 to the Public Retirement Systems' Actuarial Committee within thirty days of
 2 receipt of the invoice.

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

8 (3) The amounts due pursuant to this Section shall, at the option of the
 9 employing agency, be paid either in a lump sum or in equal monthly payments
 10 with interest at the retirement system's actuarial valuation rate amortized over
 11 ten years or less.

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

15 Section 2. The provisions of this Act shall apply to any employing agency
 16 participating in the retirement system in any plan year ending on or after June 30, 2011.

17 Section 3. This Act shall become effective on June 30, 2011; if vetoed by the
 18 governor and subsequently approved by the legislature, this Act shall become effective on
 19 June 30, 2011, or on the day following such approval by the legislature, whichever is later.

The original instrument was prepared by Lauren Bailey. The following
 digest, which does not constitute a part of the legislative instrument, was
 prepared by Dawn Romero Watson.

DIGEST

Gautreaux (SB 6)

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).

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 the actuary employed by the system and shall be paid in a lump sum or amortized over ten years or less in equal monthly payments with interest either at the retirement system'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 same manner as authorized by present law (R.S. 11:886 and 887).

Effective June 30, 2011.

(Adds R.S. 11:887.1)

Summary of Amendments Adopted by Senate

Senate Floor Amendments to engrossed bill.

1. Adds definition for "privatization".