

Regular Session, 2012

HOUSE BILL NO. 1131

BY REPRESENTATIVE PEARSON

RETIREMENT/TEACHERS: Relative to the Teachers' Retirement System of La., provides for calculation of individualized contribution rates

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 927(B) and to  
4 enact R.S. 11:102(D), relative to employer contribution rates for the Teachers'  
5 Retirement System of Louisiana; to provide for calculation of individualized  
6 employer contribution rates for classes of employees; to provide for system  
7 valuations; to provide for employer contribution rates for employees in the Optional  
8 Retirement Plan; 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(B)(1), (2)(introductory paragraph),(b)(introductory  
14 paragraph) and (ii), and (c), (3)(a) and (d)(vii), (4), and (5)(b), and 927(B) are hereby  
15 amended and reenacted and R.S. 11:102(D) is hereby enacted to read as follows:

16 §102. Employer contributions; determination; state systems

17 \* \* \*

18 B.(1) Except as provided in Subsection C of this Section for the Louisiana  
19 State Employees' Retirement System and Subsection D of this Section for the  
20 Teachers' Retirement System of Louisiana and except as provided in R.S. 11:102.1,  
21 ~~and 102.2,~~ and in Paragraph (5) of this Subsection, for each fiscal year, commencing

1 with Fiscal Year 1989-1990, for each of the public retirement systems referenced in  
2 Subsection A of this Section, the legislature shall set the required employer  
3 contribution rate equal to the actuarially required employer contribution, as  
4 determined under Paragraph (3) of this Subsection, divided by the total projected  
5 payroll of all active members of each particular system for the fiscal year. Each  
6 entity funding a portion of a member's salary shall also fund the employer's  
7 contribution on that portion of the member's salary at the employer contribution rate  
8 specified in this Subsection.

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

16 \* \* \*

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

24 \* \* \*

25 (ii) Except as provided in Paragraph (5) of this Subsection, annual  
26 contributions required in accordance with this Subsection, or the constitutional  
27 minimum if greater, may be funded in whole or in part from the employer credit  
28 account, provided the employee contribution rate or rates for the system as set forth  
29 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.

3 \* \* \*

4 (c) Except as provided in R.S. 11:102.1 and 102.2, differences occurring for  
5 any other reason shall be added to or subtracted from the following fiscal year's  
6 actuarially required employer contribution in accordance with Subparagraph (3)(c)  
7 of this Subsection or with Subsection C of this Section for the Louisiana State  
8 Employees' Retirement System or Subsection D of this Section for the Teachers'  
9 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.

24 \* \* \*

(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:

28 \* \* \*

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

\* \* \*

(4) At the end of the fiscal year during which the assets of a system, excluding the outstanding balance due to Subparagraph (B)(3)(c) of this Section, exceed the actuarial accrued liability of that system, the amortization schedules contained in Subparagraphs (B)(3)(b) and (d) or in 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 fully liquidated and assets in excess of the actuarial accrued liability shall be amortized as a credit in accordance with the provisions of Subparagraph (B)(3)(d) of this Section.

(5)

\* \* \*

(b) At the end of each fiscal year, the difference, if any, by which the amount of contributions received from payment of all employer contributions at the fixed minimum employer contribution rate established pursuant to this Paragraph exceeds

1 the greater of the minimum employer contribution required by Article X, Section 29  
2 of the Constitution of Louisiana or the statutory minimum employer contribution  
3 calculated according to the methodology provided for in Items (3)(d)(i) through (iv)  
4 of this Subsection or in Paragraph (C)(4) of this Section for the Louisiana State  
5 Employees' Retirement System or Paragraph (D)(4) of this Section for the Teachers'  
6 Retirement System of Louisiana shall be accumulated in an employer credit account  
7 for the respective system.

8 \* \* \*

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

13 (a) School lunch Plan A.

14 (b) School lunch Plan B.

15 (c) Employees of an institution of postsecondary education, the Board of  
16 Regents, or a postsecondary education management board.

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

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

22 (2) For the Teachers' Retirement System of Louisiana, effective for the June  
23 30, 2011, system valuation and beginning with Fiscal Year 2012-2013, the normal  
24 cost calculated pursuant to Subparagraph (B)(3)(a) of this Section, shall be calculated  
25 separately for each particular plan within the system. An employer shall pay  
26 employer contributions for each employee at the rate applicable to the plan of which  
27 that employee is a member.

28 (3) For the Teachers' Retirement System of Louisiana, effective for the June  
29 30, 2011, system valuation and beginning with Fiscal Year 2012-2013, changes in

1 actuarial liability due to legislation, changes in governmental organization, or  
2 reclassification of employees or positions shall be calculated individually for each  
3 particular plan within the system based on each plan's actuarial experience as further  
4 provided in Subparagraph (4)(c) of this Subsection.

5 (4) Except as provided in Paragraph (5) of this Subsection, for each plan  
6 referenced in Paragraph (1) of this Subsection, the legislature shall set the required  
7 employer contribution rate equal to the sum of the following:

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

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

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

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

(5) The employer contribution rate for the optional retirement plan shall be the sum of the amounts in Subparagraphs (4)(b), (c), and (d) of this Subsection applicable to employees in Subparagraph (1)(c) of this Subsection plus the employer normal cost rate contained in the system valuation adopted by the Public Retirement Systems' Actuarial Committee on March 8, 2012.

(6) Each entity funding a portion of the 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.

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

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

\* \* \*

## §927. Contributions

\* \* \*

B. Each employer institution and board shall contribute to the Teachers' Retirement System of Louisiana on behalf of each participant in the optional retirement plan at the same amount it would have contributed if the participant had been a member of the regular retirement plan of the Teachers' Retirement System of Louisiana rate calculated pursuant to R.S. 11:102. Upon receipt of this contribution, the Teachers' Retirement System of Louisiana shall promptly pay over to the appropriate designated company or companies an amount equal to the employer's portion of the normal cost contribution as determined annually in the system valuation adopted by the Public Retirement Systems' Actuarial Committee, ~~this on~~ March 8, 2012. ~~This~~ amount to shall be credited to the participant's contract or contracts. The Teachers' Retirement System of Louisiana shall retain the balance of this contribution for application to the unfunded accrued liability of the system.

\* \* \*

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

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

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

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#### 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)]

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Pearson

HB No. 1131

**Abstract:** Provides for the calculation of particularized employer contribution rates for subgroups within the Teachers' Retirement System of La. (TRSL) in system valuations. Also freezes the employer contribution rate for members of the Optional Retirement Plan (ORP).

Present law (R.S. 11:102) provides generally for employer contributions for state retirement systems, including TRSL. Provides that employer contributions shall be equal to the sum of the following:

- (1) The employer's normal cost (the cost of the current year's benefit accruals) for the fiscal year.
- (2) An amortized payment toward the unfunded accrued liability (UAL) existing on June 30, 1988.



- (3) An amount necessary to amortize the previous fiscal year's over or underpayment.
- (4) An amortized payment necessary to pay for changes in actuarial liabilities resulting from: (a) cost-of-living adjustments; (b) changes in the method of valuing assets; (c) changes in actuarial funding methods or assumptions; and (d) legislation.

Under present law (R.S. 11:102(C)), the La. State Employees' Retirement System (LASERS) is required to calculate each of the above costs for each subplan (or class of employees) within LASERS to provide an individualized contribution rate for each subplan provided for in present law relative to the performance of such subplan within the system.

Proposed law, similar to LASERS subplan provisions, requires TRSL employers to pay individualized normal cost payments and amortization payments depending on which plans within the system its employees fall into. For purposes of proposed law the individual TRSL plans shall be as follows:

- (1) Persons employed in K-12 education in a position covered by TRSL.
- (2) Persons participating in Lunch Plan A.
- (3) Persons participating in Lunch Plan B.
- (4) Employees of a postsecondary education institution, the Board of Regents, or a postsecondary education management board. (This includes persons participating in TRSL's Optional Retirement Plan, which is only open to persons employed in the postsecondary education arena.)
- (5) Any other specialty retirement plan provided for a subgroup of system members. Provides for Public Retirement Systems' Actuarial Committee to provide for application of proposed law to any such plan when the legislation is silent on application.

Proposed law provides specifically for calculation of the required employer contribution rate for each plan. Includes provisions for calculation of a particularized normal cost rate for each plan and a particularized unfunded accrued liability rate for each plan based on actuarial changes, gains, and losses attributable to one or more of the plans. Calculation of the employer contribution for each plan is based on these rates and the shared unfunded accrued liability rate and the shared gross employer contribution rate difference. Provides for calculation of these rates also.

Proposed law provides that each entity funding a member's salary shall fund the employer's contribution at the contribution rate provided by proposed law.

Proposed law specifies that it is applicable to the June 30, 2011, system valuation and applicable beginning with FY 2012-2013.

Present law (R.S. 11:927) provides relative to the contribution rates of employers and employees for participants in TRSL's Optional Retirement Plan (ORP). The ORP is a 401(k)-type retirement plan available only to the following classes of individuals:

- (1) Academic and administrative employees of public institutions of higher education.
- (2) Employees of management boards of higher education institutions.

Present law provides for a floating rate for employer contributions to the ORP, based on the system's annual valuation. Under present law, the employer is required to contribute to each employee's ORP account the equivalent of the "normal cost" as established in the system's annual valuation. The "normal cost" is what would be necessary, all assumptions remaining

static and assumed achieved, to fund the portion of a retirement benefit an employee covered by the defined benefit plan earned this year.

Proposed law changes the employer contribution rate to the ORP to the rate adopted by the Public Retirement Systems' Actuarial Committee on March 8, 2012.

Further requires the Public Retirement Systems' Actuarial Committee (PRSAC) to meet as soon as practicable to adopt a revised actuarial valuation for TRSL and to adopt a revised employer contribution rate taking into account all changes to the law enacted by the legislature in the 2012 R.S.

Further authorizes PRSAC to adopt an actuarial valuation or revised employer contribution rate proposed by the division of administration to be utilized in the FY 2012-2013, which has been prepared by a qualified actuary, from the American Academy of Actuaries.

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

(Amends R.S. 11:102(B)(1), (2) (intro. para.), (b)(intro. para.) and (ii), and (c), (3)(a) and (d)(vii), (4), and (5)(b) and 927(B); Adds R.S. 11:102(D))