

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 to enact R.S.  
4 11:102(D), relative to employer contribution rates for the Teachers' Retirement  
5 System of Louisiana; to provide for calculation of individualized employer  
6 contribution rates for classes of employees; to provide for system valuations; and to  
7 provide for related matters.

8 Notice of intention to introduce this Act has been published  
9 as provided by Article X, Section 29(C) of the Constitution  
10 of Louisiana.

11 Be it enacted by the Legislature of Louisiana:

12 Section 1. R.S. 11:102(B)(1), (2)(introductory paragraph), (b)(introductory  
13 paragraph) and (ii), and (c), (3)(a) and (d)(vii), (4), and (5)(b) are hereby amended and  
14 reenacted and R.S. 11:102(D) is hereby enacted to read as follows:

15 §102. Employer contributions; determination; state systems

16 \* \* \*

17 B.(1) Except as provided in Subsection C of this Section for the Louisiana  
18 State Employees' Retirement System and Subsection D of this Section for the  
19 Teachers' Retirement System of Louisiana and except as provided in R.S. 11:102.1,  
20 ~~and~~ 102.2, and in Paragraph (5) of this Subsection, for each fiscal year, commencing  
21 with Fiscal Year 1989-1990, for each of the public retirement systems referenced in

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

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

15 \* \* \*

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

23 \* \* \*

24 (ii) Except as provided in Paragraph (5) of this Subsection, annual  
25 contributions required in accordance with this Subsection, or the constitutional  
26 minimum if greater, may be funded in whole or in part from the employer credit  
27 account, provided the employee contribution rate or rates for the system as set forth  
28 in R.S. 11:62 has or have been reduced to an amount equal to or less than fifty

1 percent of the annual normal cost for the system or the plan as provided in  
2 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.

10 (3) With respect to each state public retirement system, the actuarially  
11 required employer contribution for each fiscal year, commencing with Fiscal Year  
12 1989-1990, shall be that dollar amount equal to the sum of:

13 (a) The employer's normal cost for that fiscal year, computed as of the first  
14 of the fiscal year using the system's actuarial funding method as specified in R.S.  
15 11:22 and taking into account the value of future accumulated employee  
16 contributions and interest thereon, such employer's normal cost rate multiplied by the  
17 total projected payroll for all active members to the middle of that fiscal year. For  
18 the Louisiana State Employees' Retirement System, effective for the June 30, 2010,  
19 system valuation and beginning with Fiscal Year 2011-2012, the normal cost shall  
20 be determined in accordance with Subsection C of this Section. For the Teachers'  
21 Retirement System of Louisiana, effective for the June 30, 2011, system valuation  
22 and beginning with Fiscal Year 2012-2013, the normal cost shall be determined in  
23 accordance with Subsection D of this Section.

24 \* \* \*

25 (d) That fiscal year's payment, computed as of the first of that fiscal year and  
26 projected to the middle of that fiscal year at the actuarially assumed interest rate,  
27 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) For each plan referenced in Paragraph (1) of this Subsection, the  
6        legislature shall set the required employer contribution rate equal to the sum of the  
7        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.

1           (5) Each entity funding a portion of the member's salary shall also fund the  
2           employer's contribution on that portion of the member's salary at the employer  
3           contribution rate specified in this Subsection.

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

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

9           Section 2.(A) As soon as practicable after the effective date of this Act, the Public  
10          Retirement Systems' Actuarial Committee shall meet to adopt a revised valuation for the  
11          system prepared as provided in R.S. 11:102. This valuation shall include a revised employer  
12          contribution rate for each plan within the system to be utilized in the fiscal year which begins  
13          on July 1, 2012. This valuation shall incorporate all changes enacted by the legislature in the  
14          2012 Regular Session of the Legislature of Louisiana.

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

21          Section 3. This Act shall become effective upon signature by the governor or, if not  
22          signed by the governor, upon expiration of the time for bills to become law without signature  
23          by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
24          vetoed by the governor and subsequently approved by the legislature, this Act shall become  
25          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.

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.

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); Adds R.S. 11:102(D))

#### Summary of Amendments Adopted by House

##### House Floor Amendments to the engrossed bill.

1. Removes the portion of proposed law that would have provided for a frozen ORP contribution rate.