HLS 14RS-305 ENGROSSED

Regular Session, 2014

HOUSE BILL NO. 6

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BY REPRESENTATIVE PEARSON

RETIREMENT/TEACHERS: Establishes a minimum employer contribution rate for the Optional Retirement Plan in the Teachers' Retirement System of Louisiana

AN ACT

2 To amend and reenact R.S. 11:927(B), relative to the optional retirement plan for 3 postsecondary education employees participating in the Teachers' Retirement System of Louisiana; to provide for minimum employer contributions; to provide for 4 5 application of payments; to provide for an effective date; and to provide for related 6 matters. 7 Notice of intention to introduce this Act has been published 8 as provided by Article X, Section 29(C) of the Constitution 9 of Louisiana. 10 Be it enacted by the Legislature of Louisiana: 11 Section 1. R.S. 11:927(B) is hereby amended and reenacted to read as follows: 12 §927. Contributions 13 14 B.(1) Prior to July 1, 2014, each Each employer institution and board shall 15 contribute to the Teachers' Retirement System of Louisiana on behalf of each 16 participant in the optional retirement plan the same amount it would have contributed 17 if the participant had been a member of the regular retirement plan of the Teachers' Retirement System of Louisiana. Upon receipt of this contribution, the Teachers' 18 19 Retirement System of Louisiana shall promptly pay over to the appropriate 20 designated company or companies an amount equal to the employer's portion of the

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CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

1 normal cost contribution as determined annually by the Public Retirement Systems' 2 Actuarial Committee, this amount to be credited to the participant's contract or 3 contracts. The Teachers' Retirement System of Louisiana shall retain the balance of 4 this contribution for application to the unfunded accrued liability of the system. 5 (2)(a) Beginning July 1, 2014, and continuing through fiscal year 2017-2018, each higher education board created by Article VIII of the Constitution of Louisiana 6 7 and each employer institution and agency under its supervision and control shall 8 contribute to the Teachers' Retirement System of Louisiana on behalf of each 9 participant in the optional retirement plan the sum of: 10 (i) The amounts calculated pursuant to R.S. 11:102(D)(4)(b), (c), and (d). 11 (ii) An amount equal to or greater than the equivalent of the employer's 12 portion of the normal cost contribution of the regular retirement plan. 13 (b) Beginning July 1, 2018, each higher education board created by Article 14 VIII of the Constitution of Louisiana and each employer institution and agency under 15 its supervision and control shall contribute to the Teachers' Retirement System of 16 Louisiana on behalf of each participant in the optional retirement plan the sum of: 17 (i) The amounts calculated pursuant to R.S. 11:102(D)(4)(b), (c), and (d). 18 (ii) An amount not less than six and two tenths percent of pay. 19 (c) Each board shall establish the amount provided pursuant to Items 20 (2)(a)(ii) or (b)(ii) of this Paragraph by resolution. The amount established shall be 21 the same for all employer institutions and agencies under each board's supervision 22 and control and shall be effective for an entire fiscal year. 23 (d) For fiscal year 2014-2015, each board shall submit to the retirement 24 system such resolution no later than July 15, 2014, in order for an amount established pursuant to this Subsection to become effective. For each fiscal year thereafter, the 25 26 system shall receive such resolution no later than June 1 in order for a new rate to 27 become effective for the next fiscal year. If the system does not receive a resolution 28 containing a contribution amount by the required deadline, the system shall apply the 29 most recent contribution amount by paid such board or employer institution.

1 (e) Upon receipt of this contribution, the Teachers' Retirement System of 2 Louisiana shall promptly pay over to the appropriate designated company or 3 companies an amount equal to the amount established by the applicable board 4 pursuant to Items (2)(a)(ii) or (b)(ii) of this Paragraph. 5 (f) All amounts paid over to the appropriate designated company or companies pursuant to this Paragraph shall be credited to the participant's contract 6 7 or contracts. The Teachers' Retirement System of Louisiana shall retain the balance 8 of this contribution for application to the unfunded accrued liability of the system. 9 (3)(a) Beginning July 1, 2014, for all employers that are not a higher 10 education board created by Article VIII of the Constitution of Louisiana or an 11 employer institution under the supervision and control of such a board each such 12 employer institution and board shall contribute to the Teachers' Retirement System 13 of Louisiana on behalf of each participant in the optional retirement plan the greater 14 of: 15 (i) The amount it would have contributed if the participant were a member 16 of the regular retirement plan of the Teachers' Retirement System of Louisiana 17 pursuant to R.S. 11:102(D)(1). 18 (ii) The sum of the amounts calculated pursuant to R.S. 11:102(D)(4)(b), (c), 19 and (d) plus six and two tenths percent of pay. 20 (b) Upon receipt of this contribution, the Teachers' Retirement System of 21 Louisiana shall promptly pay over to the appropriate designated company or 22 companies an amount equal to: 23 (i) The employer's portion of the normal cost contribution as determined 24 annually by the Public Retirement Systems' Actuarial Committee if payment is 25 remitted pursuant to Item (3)(a)(i) of this Paragraph. 26 (ii) Six and two tenths percent of pay if payment is remitted pursuant to Item 27 (3)(a)(ii) of this Paragraph. 28 (c) All amounts paid over to the appropriate designated company or 29 companies pursuant to this Paragraph shall be credited to the participant's contract

or contracts. The Teachers' Retirement System of Louisiana shall retain the balance

2 of the contribution for application to the unfunded accrued liability of the system.

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4 Section 2. This Act shall become effective on June 30, 2014; if vetoed by the

governor and subsequently approved by the legislature, this Act shall become effective on

June 30, 2014, or on the day following such approval by the legislature, whichever is later.

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)]

Pearson HB No. 6

Abstract: For participants in the Teachers' Retirement System of La. (TRSL), authorizes a higher education board established in the constitution to set contribution rates for the Optional Retirement Plan (ORP).

<u>Present law</u> establishes the ORP for higher education members of TRSL. Provides that the total employer contribution rate for participants in the plan is equal to the employer's rate for regular plan members.

<u>Present law</u> provides that upon receipt of this contribution, TRSL shall forward an amount equal to the regular plan normal cost as determined by the Public Retirement Systems' Actuarial Committee to the participant's ORP provider company for credit to the participant's account.

Proposed law retains present law through June 30, 2014.

Beginning July 1, 2014, <u>proposed law</u> authorizes each higher education board created by the constitution to establish by resolution the contribution rate it will remit to TRSL for its ORP participants. From July 1, 2014, through June 30, 2018, the portion of such contribution that will be credited to a participant's account may be set equal to or greater than the normal cost of the regular retirement plan. Beginning July 1, 2018, such amount shall be at least 6.2% of pay. Regardless of the rate selected pursuant to <u>proposed law</u> for credit to the ORP accounts, the total employer contribution is required to include payments calculated pursuant to <u>present law</u> to cover Unfunded Accrued Liability (UAL) payments.

<u>Proposed law</u> generally requires the resolution establishing the contribution rate to be received by TRSL prior to June 1 of each year; however, for the first year of implementation, such resolution must be received by July 15, 2014.

<u>Proposed law</u> provides that for any employer that is not a higher education board established by the constitution, beginning July 1, 2014, the portion of the contribution rate to be credited to the ORP accounts of its employees shall be 6.2%. Requires the total contribution rate to include payments calculated pursuant to <u>present law</u> to cover UAL payments.

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<u>Present law</u> provides for amounts remitted by employers to the system in excess of the amount credited to the employee's account to be applied to the UAL of the system. <u>Proposed law</u> retains <u>present law</u>.

Effective June 30, 2014.

(Amends R.S. 11:927(B))

Summary of Amendments Adopted by House

Committee Amendments Proposed by <u>House Committee on Retirement</u> to the <u>original</u> bill

- 1. Removes provisions establishing the portion of the employer contribution rate credited to ORP member accounts at the greater of the normal cost or 6.25% of pay.
- 2. Adds provision allowing each higher education board created by the constitution to establish a rate by resolution that will be contributed to its employees' ORP accounts. From July 1, 2014 through June 30, 2018, the rate shall be equal to or greater than the normal cost of the regular retirement plan. Starting July 1, 2018, the rate shall be at least 6.2%. Establishes deadlines by which TRSL must receive such resolution.
- 3. Adds provisions for contribution rates for all employers that are not postsecondary education management boards or an employer or agency under the control of such a board.