

2015 Regular Session

SENATE BILL NO. 18

BY SENATOR ADLEY

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

TEACHERS RETIREMENT. Provides for higher education liability payments. (6/30/15)

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AN ACT

To enact Part XII of Chapter 2 of Subtitle II of Title 11, to be comprised of R.S. 11:961 through 966, relative to the payment of the unfunded accrued liability of the Teachers' Retirement System of Louisiana; to allow certain participating employers to elect to pay their proportional share of the unfunded accrued liabilities and to incur no further liabilities; to provide for the calculation of the necessary payment associated with this election; to provide for review of the calculation; to provide for funding of the necessary payments; to provide for the powers and duties of the board of trustees of the retirement system concerning the necessary payments; to provide for 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. Part XII of Chapter 2 of Subtitle II of Title 11, comprised of R.S. 11:961 through 966, is hereby enacted to read as follows:

**PART XII. HIGHER EDUCATION LIABILITY PAYMENTS**

**§961. Application**

**The provisions of this Part shall apply to:**

1                   **(1) The Board of Regents created pursuant to Article VIII, Section 5 of**  
2                   **the Constitution of Louisiana.**

3                   **(2) The Board of Supervisors for the University of Louisiana System**  
4                   **created pursuant to Article VIII, Section 6 of the Constitution of Louisiana.**

5                   **(3) The Board of Supervisors of Louisiana State University and**  
6                   **Agricultural and Mechanical College created pursuant to Article VIII, Section**  
7                   **7 of the Constitution of Louisiana.**

8                   **(4) The Board of Supervisors of Southern University and Agricultural**  
9                   **and Mechanical College created pursuant to Article VIII, Section 7 of the**  
10                   **Constitution of Louisiana.**

11                   **(5) The Board of Supervisors of Community and Technical Colleges**  
12                   **created pursuant to Article VIII, Section 7.1 of the Constitution of Louisiana.**

13                   **(6) Any institution under the authority of the Board of Regents or one**  
14                   **of the boards of supervisors listed in this Section.**

15                   **§962. Purpose**

16                   **The purpose of this Part is to provide for payment of the unfunded**  
17                   **accrued liability of the Teachers' Retirement System of Louisiana attributable**  
18                   **to public post-secondary employers participating in the retirement system.**

19                   **§963. Definitions**

20                   **As used in this Part, the following terms have the meanings ascribed,**  
21                   **unless another meaning is clearly required by context:**

22                   **(1) "Board" means the board of the Teachers' Retirement System of**  
23                   **Louisiana as defined in R.S. 11:701.**

24                   **(2) "Contributions" means the employer contributions required**  
25                   **pursuant to R.S. 11:102 and the employee contributions required pursuant to**  
26                   **R.S. 11:62.**

27                   **(3) "Elector" means an employer or group of employers collectively**  
28                   **making an election pursuant to this Part.**

29                   **(4) "Employer" means any of the public post-secondary entities listed in**

1           **R.S. 11:961.**

2                   **(5) "Governing authority" means one of the entities listed in R.S.**  
3           **11:961(1) through (5).**

4                   **(6) "System" means the Teachers' Retirement System of Louisiana**  
5           **established pursuant to R.S. 11:702.**

6           **§964. Election to extinguish unfunded accrued liability**

7                   **A. Any employer or group of employers may elect to pay to the system**  
8           **an amount calculated on an actuarial basis which extinguishes the unfunded**  
9           **accrued liability attributable to the elector. This election may be made at any**  
10           **time by written notification to the board of trustees of the system. The**  
11           **notification shall include the prospective date on which the elector plans to**  
12           **extinguish his unfunded accrued liability. The governing authority of the elector**  
13           **shall have final prior approval of this election, subject to review by the Board**  
14           **of Regents.**

15                   **B. Notwithstanding any provision of R.S. 11:102 or any other law to the**  
16           **contrary, as a result of this election, the elector shall be released from the**  
17           **requirement to remit any contributions to the system that, absent such election,**  
18           **would be due and payable on and after the first of the month the elector chooses**  
19           **in its notification. No further actuarial liabilities, funded or unfunded, shall**  
20           **accrue attributable to the elector after the date selected.**

21           **§965. Liability calculation; source of funding**

22                   **A.(1) The actuary for the system shall provide the board and the elector**  
23           **with a calculation of the unfunded accrued liability attributable to that elector**  
24           **within thirty days of the system's receipt of the notification required by R.S.**  
25           **11:964(A). This calculation shall determine the liability projected to the date**  
26           **selected pursuant to R.S. 11:964(A), and shall account for the reimbursement**  
27           **of all contributions remitted by the elector to the system during the fiscal year**  
28           **in which the election is made.**

29                   **(2) The elector may request that the actuarial cost of expected future**

1 permanent benefit increases be included in this calculation. At the time the  
2 elector pays to the system the amount calculated pursuant to Paragraph (1) of  
3 this Subsection, the elector may also pay the amount calculated pursuant to this  
4 Paragraph and have the system continue to include the elector's retirees,  
5 survivors, and beneficiaries in increases granted to other system retirees,  
6 survivors, and beneficiaries. However, the elector may instead use the funds to  
7 provide permanent benefit increases directly, through annuity contracts or by  
8 any other means.

9 B. At the elector's option and expense, a properly-credentialed actuary  
10 may prepare an independent calculation for the elector.

11 C. The calculations prepared pursuant to Subsections A and B of this  
12 Section shall be presented to the legislative auditor's actuary for review.

13 D.(1) The Public Retirement Systems' Actuarial Committee (PRSAC)  
14 shall consider the determinations of the system actuary, the elector's actuary,  
15 and the legislative auditor's actuary. In case of a disagreement, PRSAC shall  
16 have final authority regarding which calculation is actuarially appropriate as  
17 determined by a majority vote of the members of the committee. The amount  
18 so determined shall be paid to the system by the elector.

19 (2)(a) Within ten days, the chairman of PRSAC shall provide written  
20 notification to the chairman of the Joint Legislative Committee on the Budget  
21 (JLCB) of PRSAC's decision as to the actuarially-appropriate calculation for  
22 review by JLCB.

23 (b) Any review of PRSAC's decision shall be conducted by JLCB within  
24 the ten days immediately following receipt of PRSAC's determination. The  
25 amount calculated by PRSAC shall be paid to the system by the elector.

26 E. The amount determined pursuant to this Section shall be valid for  
27 three months following approval by PRSAC, after which monthly interest shall  
28 accrue at the board-approved actuarial valuation rate.

29 F. Funding for the payment required pursuant to this Section may be

1 derived from any source including the proceeds of revenue bonds issued by one  
2 or more of the governing authorities.

3 §966. Duties of the Teachers' Retirement System of Louisiana board of trustees

4 In furtherance of the purpose and requirements of this Part, the system  
5 board shall have the duty to:

6 (1) Assure that no further liabilities accrue by:

7 (a) Taking any and all steps required by the board's fiduciary duty  
8 pursuant to R.S. 11:261 through 269 to prohibit actions or events which may  
9 result in the accrual of additional liabilities that would require employer  
10 contributions over and above the amount due and payable pursuant to R.S.  
11 11:965.

12 (b) Transferring, as appropriate, the control or administrative functions  
13 of any programs or accounts to the elector; provided, however, that the board  
14 shall not be required to transfer any funds out of the system trust, except as  
15 provided for in R.S. 11:965(A).

16 (2) Use all necessary means to make the retirement system and its  
17 members, beneficiaries, and retirees whole on an actuarial basis, if an elector  
18 does not complete the requirements for the election pursuant to this Part.

19 Section 2. This Act shall become effective upon signature by the governor or, if not  
20 signed by the governor, upon expiration of the time for bills to become law without signature  
21 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
22 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
23 effective on the day following such approval.

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The original instrument and the following digest, which constitutes no part  
of the legislative instrument, were prepared by Margaret M. Corley.

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SB 18 Original

DIGEST  
2015 Regular Session

Adley

Proposed law applies to the following employers:

- (1) The Board of Regents.

- (2) The Board of Supervisors for the University of Louisiana System.
- (3) The Board of Supervisors of Louisiana State University A&M.
- (4) The Board of Supervisors of Southern University A&M.
- (5) The Board of Supervisors of Community and Technical Colleges.
- (6) Any institution under the authority of the Board of Regents or one of the boards of supervisors listed above.

Present law provides for membership in the Teachers' Retirement System of Louisiana (Teachers') for certain full-time unclassified employees of postsecondary education institutions, systems, and boards based on their employers' participation in Teachers'.

Present law provides for calculation of accrued system liabilities created by certain experience of the system including the value of benefits awarded to retirees and other system beneficiaries or earned by active members, including members working after participation in the Deferred Retirement Option Plan (DROP); demographics; and market factors. Provides for calculation of system assets. Provides for determination of the unfunded accrued liability by comparing the liabilities accrued with the assets held.

Present law provides for employer and employee contributions to Teachers' to fund liabilities accrued within the system.

Proposed law retains present law and provides these employers with an option to elect to pay for their proportionate share of the existing system liabilities and to incur no additional liabilities at the system.

Proposed law provides for actuarial calculations and legislative review of the payment necessary to extinguish the proportionate share of the unfunded accrued liabilities of the electing employer. Provides for additional calculations and payments of future permanent benefit increases to the elector's retirees, survivors, and beneficiaries. Provides that funding for the payments may come from any source including bond proceeds.

Present law provides for powers and duties of the Teachers' board of trustees, including certain fiduciary obligations.

Proposed law retains present law and imposes additional duties upon the board as follows:

- (1) To prevent any additional liabilities from accruing if those liabilities would be the financial responsibility of an electing employer.
- (2) To protect the system in the event an electing employer fails to pay its obligation.

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

(Adds Part XII of Chapter 2 of Subtitle II of Title 11, comprised of R.S. 11:961 through 966)