

2015 Regular Session

SENATE BILL NO. 285 (Substitute of Senate Bill No. 18 by Senator Adley, which was prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.)

BY SENATOR ADLEY

TEACHERS RETIREMENT. Provides for determination of unfunded accrued liability payments. (gov sig)

1 AN ACT

2 To amend and reenact R.S. 11:102(D) and to enact R.S. 11:102(E), relative to the payment

3 of the unfunded accrued liability of the Teachers' Retirement System of Louisiana;

4 to provide for calculation of particularized unfunded accrued liability payments; to

5 provide for calculation of employer contribution rates; to provide for an effective

6 date; and to provide for related matters.

7 Notice of intention to introduce this Act has been published.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 11:102(D) is hereby amended and reenacted and R.S. 11:102(E) is

10 hereby enacted to read as follows:

11 §102. Employer contributions; determination; state systems

12 \* \* \*

13 D.(1) This Subsection shall be applicable to the Teachers' Retirement System

14 of Louisiana effective for the June 30, 2011, system valuation and beginning Fiscal

15 Year 2012-2013. For purposes of this Subsection, "plan" or "plans" shall mean a

16 subgroup within the system characterized by the following employee classifications:

17 (a) ~~School Lunch Plan A.~~

1           ~~(b) School lunch Plan B.~~

2           (e) Employees of an institution of postsecondary education, the Board of  
3 Regents, or a postsecondary education management board who are not employed for  
4 the sole purpose of providing instruction or administrative services at the primary or  
5 secondary level, including at any lab school and the Louisiana School for Math,  
6 Science, and the Arts. **This plan shall be known as "specialty plan 1".**

7           ~~(d)~~**(b)** Any other specialty retirement plan provided for a subgroup of system  
8 members. If the legislation enacting such a plan is silent as to the application of this  
9 Subsection, the Public Retirement Systems' Actuarial Committee shall provide for  
10 the application to such plan.

11           ~~(e)~~**(c)** All other teachers, as defined in R.S. 11:701(33), **including members**  
12 **paid from school food service funds as provided in R.S. 11:801 and 811. This**  
13 **plan shall be known as "specialty plan 2".**

14           (2) For the Teachers' Retirement System of Louisiana, effective for the June  
15 30, 2011, system valuation and beginning with Fiscal Year 2012-2013, the normal  
16 cost calculated pursuant to Subparagraph (B)(3)(a) of this Section, shall be calculated  
17 separately for each particular plan within the system. An employer shall pay  
18 employer contributions for each employee at the rate applicable to the plan of which  
19 that employee is a member.

20           (3) For the Teachers' Retirement System of Louisiana, effective for the June  
21 30, 2011, system valuation and beginning with Fiscal Year 2012-2013, changes in  
22 actuarial liability due to legislation, changes in governmental organization, or  
23 reclassification of employees or positions shall be calculated individually for each  
24 particular plan within the system based on each plan's actuarial experience as further  
25 provided in Subparagraph (4)(c) of this Subsection.

26           (4) For each plan referenced in Paragraph (1) of this Subsection, the  
27 legislature shall set the required employer contribution rate equal to the sum of the  
28 following:

29           (a) The particularized normal cost rate. The normal cost rate for each fiscal

1 year shall be the employer's normal cost for employees in the plan computed by  
2 applying the method specified in Paragraph (B)(1) and Subparagraph (B)(3)(a) of  
3 this Section to the plan.

4 (b) The shared unfunded accrued liability rate. A single rate shall be  
5 computed for each fiscal year, applicable to all plans for actuarial changes, gains, and  
6 losses existing on June 30, 2011, or occurring thereafter, including experience and  
7 investment gains and losses, which are independent of the existence of the plans  
8 listed in Paragraph (1) of this Subsection, the payment and rate therefor shall be  
9 calculated as provided in Paragraphs (B)(1) and (3) of this Section. **For years in**  
10 **which Subsection E of this Section is effective, the shared unfunded accrued**  
11 **liability rate shall be replaced with the particularized unfunded accrued liability**  
12 **rates as provided for in Subsection E of this Section.**

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

20 (d) The shared gross employer contribution rate difference. The gross  
21 employer contribution rate difference shall be the difference between the minimum  
22 gross employer contribution rate provided in Paragraph (B)(5) of this Section and the  
23 aggregate employer contribution rate calculated pursuant to the provisions of  
24 Subsection B of this Section.

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

28 (6) For purposes of Paragraph (B)(2) of this Section the actuarially required  
29 employer contributions and the employer contributions actually received for all plans

1 shall be totaled and treated as a single contribution.

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

4 **E.(1) Effective for the employer contributions required in Fiscal Year**  
5 **2015-2016 and thereafter, the unfunded accrued liability (UAL) contribution**  
6 **rates of the Teachers' Retirement System of Louisiana shall be particularized**  
7 **as further provided in this Section.**

8 **(2) For the purpose of this Section the following shall apply:**

9 **(a) Specialty plan 1 accrued liability shall be the accrued liabilities**  
10 **attributable to the population of specialty plan 1 on the June thirtieth of the**  
11 **applicable valuation year.**

12 **(b) Specialty plan 2 accrued liability shall be the accrued liabilities**  
13 **attributable to the population of specialty plan 2 on the June thirtieth of the**  
14 **applicable valuation year.**

15 **(c) Total system accrued liability shall be the sum of the amounts**  
16 **determined pursuant to Subparagraphs (a) and (b) of this Paragraph.**

17 **(d) Specialty plan 1 share shall be the percentage resulting from dividing**  
18 **the accrued liability of specialty plan 1 by the total system liability.**

19 **(e) Specialty plan 2 share shall be the percentage resulting from dividing**  
20 **the accrued liability of specialty plan 2 by the total system liability.**

21 **(f) Specialty plan 1 assets shall be determined by multiplying the total**  
22 **system assets by the specialty plan 1 share established in Subparagraph (d) of**  
23 **this Paragraph.**

24 **(g) Specialty plan 2 assets shall be determined by subtracting the**  
25 **specialty plan 1 assets determined in Subparagraph (f) of this Paragraph from**  
26 **the total system assets.**

27 **(h) Specialty plan 1 UAL shall be the accrued liability determined in**  
28 **Subparagraph (a) of this Paragraph minus the assets determined in**  
29 **Subparagraph (f) of this Paragraph.**

1           (i) Specialty plan 2 UAL shall be the accrued liability determined  
2           pursuant to Subparagraph (b) of this Paragraph minus the assets determined  
3           in Subparagraph (g) of this Paragraph.

4           (3)(a) Each system valuation shall contain three schedules of  
5           amortization bases: the aggregate schedule, specialty plan 1 schedule, and  
6           specialty plan 2 schedule.

7           (b) For Fiscal Year 2015-2016 and for each valuation to which  
8           Subparagraph (5)(b) of this Subsection applies, each existing amortization base  
9           in the aggregate, positive or negative, shall be allocated between specialty plan  
10          1 and specialty plan 2 by applying the share proportions established in  
11          Subparagraphs (1)(d) and (e) of this Subsection. Amortization periods and  
12          payment schedules shall be the same for each particularized amortization base  
13          as they are for the aggregate amortization base. These particularized  
14          amortization schedules shall be used to calculate particularized UAL payments  
15          for specialty plan 1 and specialty plan 2 in the same manner as an aggregate  
16          UAL payment would otherwise be calculated using the schedule of system  
17          amortization bases.

18           (4) The contribution rate for each specialty plan shall be the sum of:

19           (a) The particularized normal cost rate as provided in Subparagraph  
20           (D)(4)(a) of this Section.

21           (b) The particularized amortization payment calculated in accordance  
22           with the particularized amortization schedule provided in this Subsection  
23           divided by payroll of all system-covered positions in that specialty plan.

24           (c) The total of all over and underpayments determined pursuant to  
25           Subparagraph (D)(3)(c) and (E)(5)(d) of this Section divided by payroll of all  
26           system-covered positions in that specialty plan.

27           (d) Any additional particularized amortization rate calculated pursuant  
28           to Subparagraph (D)(4)(c) of this Section.

29           (5)(a) For Fiscal Year 2015-2016, all actuarial assumptions and methods

1 necessary for determining the particularized UAL payments pursuant to this  
2 Section shall be based on the assumptions and methods in the June 30, 2014  
3 valuation adopted by the Public Retirement Systems' Actuarial Committee on  
4 November 19, 2014.

5 (b) For each valuation that first applies the latest quinquennial  
6 experience study as required by R.S. 11:834(A)(2), the total unfunded accrued  
7 liability for the system shall be reallocated as provided for in Paragraph (2) of  
8 this Subsection using the actuarial assumptions and methods in that valuation.

9 (c) For years in which no experience study takes place and after  
10 determination of that year's funded percentage and allocations required  
11 pursuant to this Section and R.S. 11:102.2 and 883.1, except as provided in  
12 Subparagraph (d) of this Paragraph, all gains and losses of the system that  
13 would otherwise form a new shared positive or negative amortization base  
14 under Subsection D of this Section shall be allocated by applying the shares  
15 established in Subparagraphs (2)(d) and (e) of this Subsection.

16 (d) Beginning with the valuation at the close of Fiscal Year 2015-2016,  
17 over and underpayments provided for in Subparagraph (B)(3)(c) of this Section  
18 shall be allocated to each specialty plan based on the actual collections and shall  
19 not be allocated pursuant to Subparagraph (c) of this Paragraph.

20 (5) Contribution rates in this Subsection shall only be effective for a  
21 fiscal year in which the Legislative Auditor provides written certification to the  
22 system that funds have been appropriated by the legislature through direct  
23 appropriation in a law which has become effective which, upon receipt by the  
24 system, will be sufficient to offset the increase in the total contributions required  
25 by this Subsection to be paid by the specialty plan employers.

26 Section 2. The Public Retirement Systems' Actuarial Committee shall meet as soon  
27 as practicable after the effective date of this Act to adopt a revised actuarial valuation in  
28 accordance with the provisions of this Act to be utilized by the Teachers' Retirement System  
29 of Louisiana for the 2015-2016 Fiscal Year.

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

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

DIGEST

SB 285 Original 2015 Regular Session Adley

Present law provides for multiple employer contribution rates at Teachers' Retirement System of Louisiana (Teachers') for the various subgroups within the system. The subgroups are:

- (1) Lunch Plan A.
- (2) Lunch Plan B.
- (3) Employees of an institution of postsecondary education or management board.
- (4) All other teachers.

Proposed law retains present law and designates the employees of an institution of postsecondary education or management board as "specialty plan 1".

Proposed law consolidates Lunch Plan A and B into a single plan with all other teachers for rate purposes and designates the subgroup as "specialty plan 2".

Present law provides for a formula to determine the employer contributions of each subgroup within Teachers'.

Proposed law retains present law and provides that the formula shall split the unfunded accrued liability (UAL) into particularized portions for each specialty plan.

Proposed law provides that the UAL shall be particularized according to the accrued liabilities attributable to each specialty plan as of the June 30th of the applicable valuation year, beginning with the June 30, 2014 valuation.

Proposed law provides a formula to determine the allocation of assets to each specialty plan based on its proportionate share of accrued liabilities.

Assets Allocated Specialty Plan 1	=	Total Actuarial Value of Teachers' Assets on June 30, 2014	x	The Accrued Liability Attributable to Specialty Plan 1
				The Total Teachers' Accrued Liability

Assets Allocated Specialty Plan 2	=	Total Actuarial Value of Teachers' Assets on June 30, 2014	-	Assets Allocated to Specialty Plan 1
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Proposed law provides a formula to determine the UAL of each specialty plan.

Specialty Plan 1's UAL	=	Specialty Plan 1's Accrued Liability	-	Assets Allocated to Specialty Plan 1
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Specialty Plan 2's UAL	=	Specialty Plan 2's Accrued Liability	-	Assets Allocated to Specialty Plan 2
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Proposed law provides that each valuation shall contain 3 schedules of amortization bases:

- (1) The aggregate schedule as currently prepared.
- (2) Specialty plan 1 schedule.
- (3) Specialty plan 2 schedule.

Proposed law provides that, for time period and determination of payments, no amortization schedule shall change. Proposed law further provides that each amortization schedule shall be allocated in the proportions calculated for each specialty plan's share of accrued liabilities.

Present law provides a formula for the contribution rate. Proposed law retains present law and further provides that the contribution rate shall include the particularized UAL payment attributable to each specialty plan.

Proposed law provides that for the 2015-2016 Fiscal Year, all actuarial assumptions and methods necessary for determining the particularized UAL payments shall be based on the June 30, 2014 Teachers' valuation adopted by the Public Retirement Systems' Actuarial Committee (PRSAC) on Nov. 19, 2014.

Proposed law provides that in each valuation immediately following the experience study required by present law (R.S. 11:834(A)(2)), to occur every five years, the UAL and each amortization base shall be reallocated to the specialty plans according to the original formula.

Proposed law provides that for years in which no experience study takes place, all gains and losses of the system shall be divided in accordance with the percentages attributable to the specialty plan 1 and specialty plan 2 shares. Provides that schedules for amortization of contribution variance shall be based on actual collections.

Proposed law provides that PRSAC shall meet as soon as practicable to adopt a revised valuation in accordance with the provisions of proposed law.

Proposed law provides that contribution rates in proposed law shall only be effective for a fiscal year in which the Legislative Auditor provides written certification to the system that funds have been appropriated by the legislature through direct appropriation in a law which has become effective which, upon receipt by the system, will be sufficient to offset the increase in the total contributions required by proposed law to be paid by the specialty plan employers.



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

(Amends R.S. 11:102(D); adds R.S. 11:102(E))