

Regular Session, 2012

SENATE BILL NO. 56

BY SENATOR GUILLORY

RETIREMENT SYSTEMS. Provides relative to merger of the La. School Employees' Retirement System into the Teachers' Retirement System of La. (6/30/12)

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

17 Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 11:701(introductory paragraph), (7), and (29), 822(A)(2), 826, 831, 832, 833, 834(A)(1) and (2)(introductory paragraph) and (B) through (D), 1001(A) and (B), 1002(introductory paragraph), (8), (16), and (26), and 1161 are hereby amended and reenacted and Subpart P of Part II of Chapter 4 of Subtitle I of Title 11 of the Louisiana Revised Statutes of 1950, comprised of R.S. 11:331, and R.S. 11:701(22.1) and 1001(22.1) are hereby enacted to read as follows:

SUBPART P. LEGISLATIVE INTENT

§331. Legislative intent

The Legislature of Louisiana hereby declares that the intent of the provisions of this Title that originated as HB No. _____ of the 2012 Regular Session of the Legislature is to attain and maintain the actuarial soundness of state and statewide systems as required by the Constitution of Louisiana, Art. X, Section 29.

* * *

CHAPTER 2. TEACHERS' RETIREMENT SYSTEM

OF LOUISIANA

PART I. TEACHERS' RETIREMENT PLAN

SUBPART A. GENERAL PROVISIONS

* * *

§701. Definitions

As used in this **Chapter Part**, the following words and phrases have the meanings ascribed to them in this Section unless a different meaning is plainly required by the context:

* * *

(7) "Board of Trustees" means the board provided for in Part V Subpart E of this Chapter Part to administer the retirement system plans provided for in this Chapter.

* * *

(22.1) "Plan" means the mechanisms, rule, regulations, and rights

1 **relative to retirement established in Part I of this Chapter.**

2 * * *

3 (29) "Retirement System" **or "System"** means the Teachers' Retirement
4 System of Louisiana ~~as defined in R.S. 11:702 established in this Chapter,~~
5 **comprised of the Teachers' Retirement Plan and the Louisiana School**
6 **Employees' Retirement Plan.**

7 * * *

8 **PART SUBPART** V. ADMINISTRATION

9 * * *

10 §822. Members of board of trustees; appointment or election; terms of office;
11 vacancies; compensation

12 A. The board shall consist of such trustees as follows:

13 * * *

14 (2) One voting member representing the **school support personnel**
15 **members and** members paid by school food service funds shall be elected by a
16 majority of said members for a four-year term.

17 * * *

18 §826. Rules and regulations

19 Subject to the limitations of this **Part Subpart** the board of trustees shall,
20 from time to time, establish rules and regulations for the administration of the funds
21 created **and maintained** by this **Part Chapter** and for the transaction of its business.
22 The board shall prepare and submit to the Joint Legislative Committee on the Budget
23 an annual budget for estimated costs of operating the system for each succeeding
24 fiscal year. This budget shall be subject to approval by the Joint Legislative
25 Committee on the Budget.

26 * * *

27 §831. Joint administration with other systems

28 The board of trustees shall take such actions as it deems necessary or
29 appropriate to provide for the joint administration of the retirement system and the

1 Louisiana School Employees' Retirement System and the Louisiana State School
2 Lunch Employees' Retirement System; however, no action shall be taken which
3 would impair the integrity of the board of trustees of each of the systems or the
4 integrity of the funds and investments of each of the systems. The boards may,
5 pursuant to the authority herein, appoint the same secretary-treasurer or secretary
6 manager, any other provision of law to the contrary notwithstanding. Funds
7 appropriated for the administration of each system shall be used for such purpose and
8 in the category of expenditures appropriated but otherwise may be transferred to
9 accomplish the purposes of this Section without the necessity of additional approval
10 by the legislature, the Legislative Budget Committee, or its successor, or the division
11 of administration or its commissioner.

12 §832. Records and other information; board's duty to keep

13 A. The board of trustees shall keep in convenient form such data as shall be
14 necessary for actuarial valuation of the various funds **plans** of the retirement system,
15 and for checking the experience of the system.

23 §833. Medical board; appointment; duties and powers

1 member in connection with an application for disability retirement, and shall report
2 in writing to the board of trustees its conclusion and recommendations upon all the
3 matters referred to it.

4 §834. Actuary; appointment; duties and powers; assets; fiduciary responsibility of
5 trustees; portfolio control manager; actuarial assumptions

6 A.(1) The board of trustees shall designate an actuary **for each retirement**
7 **plan provided for in this Chapter. Such actuary or actuaries** who shall be the
8 technical adviser of the board of trustees on matters regarding the operation of **the**
9 **their respective** funds created by the provisions of this Chapter, and shall perform
10 such other duties as are required in connection therewith.

11 (2) In the year ~~nineteen hundred thirty-eight~~ **2012**, and at least once in each
12 five-year period thereafter, ~~the~~ **each** actuary shall make an actuarial investigation into
13 the mortality, service, and compensation experience of the members and
14 beneficiaries of ~~the~~ **his respective** retirement system, and shall make a valuation of
15 the assets and liabilities of the funds of the system, and taking into account the result
16 of such investigation and valuation, the board of trustees shall:

17 * * *

18 B. The assets of ~~this system~~ **each plan** shall be held **separately** in trust by
19 the board of trustees, which board shall have exclusive authority and discretion to
20 manage and control ~~such~~ **each pool of** assets. The assets of ~~the system~~ **each plan**
21 shall be held for the exclusive purpose of providing benefits to members of ~~the~~
22 **system the respective plan** and **their its** beneficiaries and defraying reasonable
23 expenses of administering ~~the system~~ **such plan**.

24 C. The board of trustees may employ or appoint a portfolio control ~~manager~~
25 **managers** as ~~an employee~~ **employees**, at its own cost and expense without the
26 approval of the governor.

27 D.(1) Unless different actuarial assumptions are formally adopted and
28 disclosed, as provided herein, the following assumptions shall determine the
29 actuarial equivalents as used in ~~this~~ **each** retirement ~~system~~ **plan provided for in**

this Chapter:

(a) Interest shall be compounded annually at the rate of seven percent per annum.

(b) Annuity rates shall be determined on the basis of the 1971 Group Annuity Mortality Tables.

(2) The board of trustees may authorize the use of interest and mortality rates in determining the actuarial equivalents which are different from the actuarial assumptions used for other purposes hereunder. Any change in such actuarial assumptions shall be considered a part of ~~this the~~ retirement system and shall be considered an amendment to the provisions of this Section. In order to be effective, such change must be formally adopted by the board of trustees and disclosed to members of the retirement system.

* * *

CHAPTER 3. PART II. LOUISIANA SCHOOL EMPLOYEES'**RETIREMENT SYSTEM PLAN****PART I SUBPART A. GENERAL PROVISIONS**

§1001. Name and establishment of retirement system; domicile; nominee name; partnership

A. A retirement ~~system plan~~ is established and placed under the management of a board of trustees as established in R.S. 11:821 for the purpose of providing retirement allowances and other benefits for school bus drivers, school janitors, school custodians, school maintenance employees and other school employees employed in the state public school system. The retirement ~~system plan~~ is created as of July 31, 1946, but shall begin full operation as of July 1, 1947.

B. It shall be ~~a state agency domiciled in East Baton Rouge Parish and shall have the powers and privileges of a corporation and shall be known as the Louisiana School Employees' Retirement System Plan~~ and by such name, or its nominee name which is hereby established as "LSERS," "LSERP", all of its business shall be transacted, all of its funds invested, and all of its cash and securities and other

1 property held, except as provided in Subsection C hereof. The secretary-treasurer
2 of the system shall be the agent for service of legal process.

3 * * *

4 §1002. Definitions

5 As used in this ~~Chapter~~ **Part**, the following words and phrases shall have the
6 meanings ascribed to them in this Section unless a different meaning is plainly
7 required by the context:

8 * * *

9 (8) "Board of Trustees" means the board provided to administer the
10 retirement ~~system~~ **plans provided for in this Chapter, established in R.S. 11:821.**

11 * * *

12 (16) "Medical board" shall mean the ~~State Medical Disability Board~~ **board**
13 **provided for in R.S. 11:833.**

14 * * *

15 **(22.1) "Plan" means the mechanisms, rule, regulations, and rights**
16 **relative to retirement established in Part II of this Chapter.**

17 * * *

18 (26) "Retirement system" **or "system"** means the ~~Louisiana School~~
19 ~~Employees Retirement System~~ established and described in R.S. 11:1001 **the**
20 **Teachers' Retirement System of Louisiana established in this Chapter,**
21 **comprised of the Teachers' Retirement Plan and the Louisiana School**
22 **Employees' Retirement Plan.**

23 * * *

24 **PART V SUBPART E. ADMINISTRATION**

25 §1161. Board of trustees; administrative powers in general

26 The general administration and responsibility for the proper operation of the
27 ~~retirement system plan~~ and for making effective the provisions of this ~~Chapter~~ **Part**
28 are vested in a board of trustees ~~which shall be organized immediately after a~~
29 ~~majority of the trustees provided for in R.S. 11:1162 shall have qualified and taken~~

1 the oath of office.

2 * * *

3 Section 2. R.S. 11:831, 1001(C), 1162 through 1165, and 1166 through 1171 are
4 hereby repealed in their entirety.

5 Section 3. Upon the effective date of this Act, the board member currently
6 representing the members paid by school food service funds shall also be the representative
7 of the school support personnel members of the system. Upon the next election for such
8 board member, the member shall be elected from the constituencies as provided in this Act.

9 Section 4. The terms of office of any member serving on the Louisiana School
10 Employees' Retirement System board of trustees upon the effective date of this Act are
11 terminated upon the effective date of this Act and the board shall be dissolved and its duties
12 and functions assumed by the Teachers' Retirement System of Louisiana as provided in this
13 Act.

14 Section 5.(A) Upon the effective date of this Act, all obligations, property, records,
15 and employees of the Louisiana School Employees' Retirement System shall transfer to the
16 Teachers' Retirement System of Louisiana, as amended by this Act. No provision of this Act
17 shall be construed to impair any contract of the Louisiana School Employees' Retirement
18 System in place on the effective date of this Act. Any such contract shall be honored by the
19 Teachers' Retirement System of Louisiana as though the board of trustees had obligated
20 itself to such contract.

21 (B) The board of trustees for the Teachers' Retirement System of Louisiana, as
22 amended by this Act, shall complete the transfer of all administrative functions from the
23 Louisiana School Employees' Retirement System within one year after the effective date of
24 this Act.

25 Section 6. The board of trustees, as defined in this Act, shall eliminate a total of at
26 least forty administrative positions within one year after the effective date of this Act. At
27 least twenty positions shall be eliminated within six months after the effective date of this
28 Act, and at least an additional twenty positions shall be eliminated by the end of the
29 subsequent six-month period.

1 Section 7. The board of trustees, as defined in this Act, shall present a strategy to the
2 Public Retirement Systems' Actuarial Committee by December 31, 2012, for the
3 consolidation of the plans, assets, experience accounts, and investment policies of both plans
4 within the system and shall include estimates for the savings resulting from such
5 consolidation. Such strategy shall provide for consolidation of the plans within one calendar
6 year. The Public Retirement Systems' Actuarial Committee shall consider the strategy and
7 report its findings to the legislature by February 28, 2013.

8 Section 8. The Public Retirement Systems' Actuarial Committee shall meet as soon
9 as possible after the effective date of this Act to revise evaluations for the plans.

10 Section 9. The Louisiana State Law Institute shall redesignate the Parts of Chapter
11 2 as Subparts of Part I and the Parts of Chapter 3 as Subparts of Part II of Subtitle II of Title
12 11 of the Louisiana Revised Statutes of 1950, and shall make appropriate technical changes
13 to Chapter 2 of Subtitle II of Title 11 of the Louisiana Revised Statutes of 1950, as amended
14 by this Act, as are necessary to accomplish such redesignation including but not limited to
15 redesignating existing Subparts as Sub-Subparts.

16 Section 10. The provisions of this Act shall become effective at midnight on June
17 30, 2012.

The original instrument and the following digest, which constitutes no part
of the legislative instrument, were prepared by Laura Gail Sullivan.

DIGEST

Present law creates the Teachers' Retirement System of La. and the La. School Employees' Retirement System as separate state retirement systems.

Proposed law merges the administration of the two systems. The new combined system will retain the name "Teachers' Retirement System of La."

Proposed law treats each former system as a separate plan within the new combined system. All present law applicable to each system shall remain in place, with the exception of provisions relative to the governance of the system. Proposed law abolishes the LSERS board and transfers all property, obligations, employees, and rights of the LSERS system to the TRSL system. Proposed law further provides that the board of trustees for the TRSL system shall govern both plans within the system.

Present law provides that one member of the TRSL board shall be a member representing the food service members of the system. Proposed law provides that upon the effective date of proposed law such member shall also represent the LSERS members merged into the system. Provides that upon the next election of such board member food service employees

and school employees will elect such board member.

Proposed law provides that upon the effective date of the Act, the LSERS board shall be abolished and all rights, obligations, property, contracts, and employees of the board shall transfer to the new TRSL board.

Proposed law provides that the TRSL board shall eliminate a total of 40 positions within one year after the effective date of the Act. Requires that 20 positions be eliminated within the first six months and the second 20 positions eliminated within one year after the Act becomes effective.

Provides that the TRSL board, as provided in proposed law, shall complete the transitions required by proposed law within one year after the Act becomes effective. Further requires the board to formulate a strategy to merge the two plans within one calendar year. Requires that the board present such strategy to the Public Retirement Systems' Actuarial Committee (PRSAC) by Dec. 31, 2012, and include an estimate of savings attributable to the merger. PRSAC must evaluate the strategy and report to the legislature by Feb. 28, 2013.

Further provides that the Public Retirement Systems' Actuarial Committee shall meet as soon as possible after the effective date of the Act to revise valuations for the plans.

Effective June 30, 2012.

(Amends R.S. 11:701(intro. para.), (7), and (29), 822(A)(2), 826, 831, 832, 833, 834(A)(1) and (2)(intro. para.), and (B)-(D), 1001(A) and (B), 1002(intro. para.), (8), (16), and (26), and 1161; Adds R.S. 11:331, 701(22.1), and 1001(22.1); Repeals R.S. 11:831, 1001(C), 1162–1165 and 1166–1171)