TRSL Update

Louisiana State University
Faculty and Staff

April 9, 2013
2013 Legislative Session

Convened
April 8

Final adjournment
Thursday, June 6
(no later than 6 pm)
Actuarial Valuation Method

- **SB 4 (Sen. Guillory):** Adopts entry age normal as the valuation method to be used by TRSL and LASERS. *(TRSL-sponsored legislation)*

Unfunded Accrued Liability (UAL)

- **HB 666 (Rep. Pearson):** Requires BESE to remove certain UAL payments from the MFP before such monies are distributed to public school employers that receive MFP funding. Department of Education is to transfer amounts to TRSL on behalf of employers in 12 equal monthly payments. *TRSL Board position: Support*

- **SB 17 (Sen. Guillory):** Creates the State Retirement Fund in the state treasury, and dedicates 2% of excess taxes, assessments, or fees toward UAL. TRSL to receive 56.7% of excess funds for UAL. *TRSL Board position: Support*
Cash Balance Plan (CBP)

- **HB 68 (Rep. Pearson):** Makes technical and substantive changes to plan. *TRSL Board position: Neutral*

- **HCR 2 (Rep. Harrison):** Suspends provisions of CBP law effective through the earlier of 60 days after determination of the Social Security equivalency and IRS ruling letter on qualified status or July 1, 2014. *TRSL Board position: Support with amendments*

- **SCR 1 (Sen. Cortez):** Suspends provisions of CBP law until July 1, 2014. *TRSL Board position: Support*
Tier 1 Benefit Structure - Final Average Compensation (FAC)

- **SB 7 (Sen. Peacock):** Changes benefit structure of TRSL Tier 1 defined benefit plan.
  - Establishes five-year FAC for current and future members
  - Establishes transition provisions for certain members:
    - **Retiring/entering DROP before 1/1/14:** 3-year FAC applies
    - **Retiring/DROP after 1/1/14 and on or before Dec. 31, 2015:** 3-years plus the number of whole months since 1/1/14 applies
  - Effective 7/1/13
  - **TRSL Board position:** Oppose
Tier 1 Benefit Structure - FAC & Contributions

- **HB 57 (Rep. Pearson):** Changes benefit structure of TRSL Tier 1 defined benefit plan.
  - Sets five-year FAC for current and future members on 1/1/14
  - FAC phased-in transition:
    - **Retiring before 1/1/14:** 3-year FAC applies
    - **Retiring on or after 1/1/14 and on or before 12/31/2016:** 3-year FAC plus number of whole months since 1/1/14 applies
    - **Entering DROP before 1/1/16:** 3-year FAC plus number of whole months from 1/1/14 to the DROP entry date applies
  - Increases employee contribution rate by 1% on 7/1/15; and another 1% on 7/1/17
  - Amounts received from increased employee contribution rate applied to UAL
  - If unconstitutional for vested members, still applies to non-vested members

- **TRSL Board position:** Oppose
Tier 1 Benefit Structure – Split Benefit

- **HB 61 (Rep. Badon):** Provides for split benefit in all state and statewide systems.
  - If member’s earnings in any month exceed previous 12 month’s average compensation by 30% or more:
    - FAC and service credit frozen at rate prior to 30% increase
    - Separate benefit calculated based on higher compensation

- **TRSL Board position: Oppose**
Payment of Employer Retirement Cost

- **HB 643 (Rep. Miller):** Removes “employer retirement costs” from the state-funded portion of the Minimum Foundation Program (MFP) funding for most types of charter schools. These costs would also be removed from funding calculations for online course providers and school vouchers. *TRSL Board position: No position taken*

La. High School Athletic Association Members - Removal

- **HB 53 (Rep. Seabaugh):** Removes LHSAA employees from membership in TRSL. Active members or deferred vested members will receive a refund of employee contributions. *TRSL Board position: No position taken*
LSU Health Science Center - Retirement Eligibility

- **HB 35 (Rep. Barrow):** Allows LSUHSC employees subject to a layoff to retire with 25 years of service at any age. No actuarial reduction under approved layoff plan. Effective 6/7/13. Sunsets in 3 years.  
  *TRSL Board position: Oppose*

Optional Retirement Plan (ORP) – Employer Contributions

- **SB 16 (Sen. Long):** Defines “regular retirement plan” as Tier 1 of the TRSL defined benefit plan.
  
  - Ties ORP employer contribution rate for all ORP participants to Tier 1 rate, resulting in Tier 1 normal cost being allocated to participants’ accounts.  
    *TRSL Board position: Neutral*
Permanent Benefit Increase (PBI)

- **SB 11 (Sen. Guillory):** Creates a PBI payment structure for TRSL and LASERS.
  - Sets PBI guidelines for current retirees, current employees, and new hires
  - Increases employee contribution rate by 3% and employer contribution rate by 1% (plus increase related to amortization of liabilities created by PBIs)
  - Establishes PBI amount as at least 1%, but no more than 2%
  - Retirees eligible for PBI when separated from service five years and age 65
  - PBI payable on first $50,000 of retirement benefit instead of $70,000
  - Increases minimum employer contribution to 25% from 15% until certain liabilities are fully funded.
  - Raises FAC from 3 years to 5 years with transition provisions
  - *TRSL Board position: Oppose*
Return to Work (RTW)

- **HB 60 (Rep. Talbot):** Eliminates current RTW provisions for members retiring after 7/1/13.
  - Suspends benefits of re-employed retirees in positions covered by state and statewide retirement systems
  - No contributions made and no service credit earned during re-employment
  - Retiree and employer must notify system of re-employment
  - Current RTW law would continue to apply to members retiring before 7/1/13
  - *TRSL Board position: Neutral*
Transfers between retirement systems

- **SB 14 (Sen. Martiny):** Amends and creates certain exceptions to current transfer law.
  - Allows individuals to purchase higher accrual rate when transferring service credit to another system.
  - Creates exception to current law by authorizing a reverse transfer without requiring immediate retirement
  - Related transfer applications must be submitted to receiving system by 12/31/13
  - *TRSL Board position: Neutral*
Cash Balance Plan (CBP)
CBP: New Benefit Structure

**Act 483 of 2012:**

- Established the Cash Balance Plan—a new tier in the TRSL Defined Benefit Plan
- Individual employee accounts are credited with 12% (employee contribution = 8%)
- Employee accounts earn interest based on TRSL’s investment performance, and are not debited for investment losses.
- New hires on or after July 1, 2013, whose employment makes them first eligible for membership in one of three state systems (TRSL, LASERS, or LSERS)
Mandatory participation:

- For employees of post-secondary education institutions/boards who do not choose the Optional Retirement Plan (ORP)

Optional participation:

- For individuals employed by K-12 (includes school lunch employees in Plan B parishes) or other non-post-secondary employer. The decision to participate in CBP instead of the Tier 1 defined benefit plan is irrevocable and must be made within 60 days of employment.
CBP: Contributions

**Employee contribution:**
- 8% of salary
- CBP members employed as school food service workers in Plan B parishes also pay Social Security.

**Employer contribution rate:**
- Higher education
- K-12 and other TRSL employers
- Plan B
- CBP
Individual employee accounts are credited with 12% of salary:
  • Employee funded: 8%
  • Trust funded: 4%
Accounts earn interest at TRSL actuarial rate of return, less 1.0%.
Accounts are never debited for investment losses.
TRSL manages investments.
CBP: Participation/Service Credit

**Participation:**
- Years that a member participates in the CBP
- Used to determine vesting in 4% system credit, interest credit, and retirement eligibility

**Service credit:**
- Service time earned while an active, contributing member of the system
- Used to determine eligibility and benefit amount for survivor and disability benefits under the provisions of Tier 1 of the TRSL Defined Benefit Plan (Regular Plan and Plan B).
• Member is vested upon attaining five years of plan participation.
  • Eligible to receive 4% trust credit and interest credits upon termination of employment
  • Eligible to receive a monthly lifetime annuity at age 60
Reciprocal Recognition:

- Eligible to utilize years in CBP for purposes of reciprocal recognition in another state or statewide system.
  - Years of service in each system used to meet eligibility in the other system
  - Member receives benefits from each system based upon the years/account balance in that system

Transfers:

- Members who join another retirement system’s CBP may transfer their CBP accounts in the previous system to the new system.
CBP: Refunds

Refunds with less than five years of membership:
- Entitled to employee contributions only
- TRSL retains all interest and trust-funded credits.

Refunds with five or more years of membership:
- Entitled to employee contributions, trust-funded credits, and interest
CBP: Survivor Benefits

**Surviving children only or spouse with surviving children:**
- Eligible if member had five or more years of service credit
- Receive survivor benefits provided as outlined in TRSL Regular Plan

**Surviving spouse only:**
- Eligible if member had 10 or more years of service credit
- Receive lump-sum payment of account balance or
- Receive survivor benefits provided as outlined in TRSL Regular Plan

**No surviving spouse/children or member had less than five years of service credit:**
- Lump-sum payment of account balance to named beneficiary or estate

*NOTE:* Survivor benefits provisions for TRSL’s Plan B differ from the above for CBP members who would have otherwise been in TRSL’s Plan B.
Eligible for disability retirement with 10 years of service credit, excluding years on workers’ compensation.

Plan B parish school food service employees eligible for disability retirement with five years of service credit.

Member can choose:

- Disability benefits provided as outlined in Tier 1 TRSL Defined Benefit Plan (Regular Plan or Plan B), or
- Lump-sum payment of account.
Eligible for lifetime retirement annuity with at least five years of plan participation and at least age 60

Upon reaching retirement eligibility, member can:

- Receive lump-sum of account balance, or
- Receive an annuity based upon account balance

Member can select one of the TRSL benefit options offered to Tier 1 TRSL Defined Benefit Plan (Regular Plan or Plan B) members, including ILSB

Members are not eligible to participate in DROP.
Membership in Cash Balance Plan begins again. New account established.

Re-employment does not affect receipt of annuitized payments from the first cash balance account.

Retirees choosing a lump-sum distribution may not be re-employed when distribution is made, which may necessitate a delay in re-employment.
CBP: Guaranteed Return of Employee Contributions

- Members are guaranteed to receive the return of their employee contributions either through a refund or monthly annuity.
- Where total benefits received prior to an employee’s death are less than the employee’s total contributions, the difference is paid to the estate.
Makes technical and substantive changes to plan.

- Plan participation defined as “period of active service”
- Employees mandated to be in CBP must remain members
- Employees with option to join CBP must remain in plan chosen (Tier 1 or CBP), except that option to join ORP when first eligible is available
- CBP members electing to participate in ORP when first eligible can transfer eligible CBP account funds
- Establishes rules for dual membership (will primarily govern LASERS Hazardous Duty and Tier 1 members)
- Clarifies transfer provisions: states options when employment changes; authorizes transfer of plan participation as well as funds; and specifically prohibits transfer of credit from traditional DB plan and purchase of service
- Specifies disability benefits available and provides for options upon regular retirement eligibility and options when disability benefits cease
- Clarifies return-to-work provisions
Any Questions?

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