



Consequences of Privatizing LSERS Positions

Fact Sheet – 22

LOUISIANA SCHOOL EMPLOYEES'
RETIREMENT SYSTEM

HISTORY. In 2006, the Legislature enacted Louisiana Revised Statutes (La. R.S.) 11:1195.1 to collect from employers the unfunded accrued liability (UAL) attributable to terminating and replacing a group of employees in LSERS positions through privatization, contracting, outsourcing, or any other means. Before that law was passed, an employer that had privatized LSERS positions left behind the UAL associated with those positions. That UAL then had to be paid by all LSERS participating employers. The 2006 law remedied that problem by making the UAL obligation left behind the liability of the employer who had privatized. The law amortized that obligation in level payments over ten years. Then, in 2008, the Legislature broadened the concept originally in La. R.S. 11:1195.1 by enacting La. R.S. 11:1195.2. Instead of applying just to “groups of employees,” the 2008 statute applied to the elimination of “any position.” The 2008 statute also allowed the employer the option of paying its UAL obligation in one lump sum, as well as the option of paying it over ten years. As La. R.S. 11:1195.2 is more comprehensive than the statute from two years earlier, La. R.S. 11:1195.2 is now the operative statute.

ANNUAL REPORTING. Employers must report annually whether their school system has privatized any positions during the previous school year. The employers have 30 days to return the signed certification.

EMPLOYER REQUESTS FOR COST. Employers may request a privatization cost by contacting LSERS’ Executive Counsel by phone at 225.925.6560, or by email at webmaster@lsers.net, and providing the following:

1. Name of LSERS member in or was in position that is being considered for elimination,
2. The member’s date of birth,
3. The member’s current annual salary, and
4. The estimated date on which position will be eliminated (used to determine which end of fiscal year payroll amounts are used in the actuarial calculation).

COST CALCULATION. The LSERS actuary calculates the cost to eliminate positions as mandated by statute. However, for illustrative purposes, the following example is provided in which a School System chose to eliminate seven positions on 11/1/2018:

LSERS Member Number	Annual Salary	Portion of UAL Due
1	\$15,000	\$34,499
2	\$20,000	\$45,999
3	\$25,000	\$57,499
4	\$30,000	\$68,999
5	\$35,000	\$80,499
6	\$40,000	\$91,992
7	\$45,000	\$103,491
Total	\$210,000	\$482,978

In this example, the School system may choose to make ten annual amortization payments of \$64,415 each rather than pay the lump-sum of \$482,978. Annual amortization payments received after 11/1/2018 accrue fixed interest, at a rate determined by the current valuation (in this case 7.0625%). That interest runs from the due date until the balance is paid in full. If the School System chooses to make annual payments instead of one lump sum payment, the total amount it would pay after ten years would be \$644,150, of which \$161,172 would be interest.

Costs will vary each year depending on the size of the UAL, the total payroll of active members, and the annual salary for the positions being considered for elimination.

AUDITS. School systems may undergo a review by LSERS’ internal auditor to ensure compliance with La. R.S. 11:1195.2. Reviews may come about as part of a routine schedule, or as the result of specific circumstances.