

~ ACTUARIAL COST NOTE ~ ~ REGULAR SESSION 2008 ~

House Bill 1233; HLS 08RS-2300

Original No Amendments

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LA # 91.01

TEACHERS' RETIREMENT SYSTEM of LOUISIANA

OR INCREASE GF EX

Bill Provisions



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RETIREMENT/TEACHERS: Provides relative to membership in Teachers' Retirement System of Louisiana for certain alien teachers working under J visas

Estimated Fiscal Impact

EXPENDITURES	2008-09	2009-010	2010-11	2011-12	2012-13	5 YEAR TOTAL
State General Fund	*	*	*	*	*	*
Agy Self Generated	*	*	*	*	*	*
Stat Deds/Other	*	*	*	*	*	*
Federal Funds	*	*	*	*	*	*
Local Funds	*	*	*	*	*	*
ANNUAL TOTAL	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE

REVENUES	2008-09	2009-010	2010-11	2011-12	2012-13	5 YEAR TOTAL
State General Fund	\$0	\$0	\$0	\$0	\$0	\$0
Agy Self Generated	\$0	\$0	\$0	\$0	\$0	\$0
Stat Deds/Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
ANNUAL TOTAL	\$0	\$0	\$0	\$0	\$0	\$0

* The total required employer contribution for Teachers' Retirement System of Louisiana (TRSL) is paid directly from general fund appropriations, local school districts, self-generated funds, and from federally funded programs.

Purpose: Allows persons of foreign countries to participate in the Teachers' Retirement System of Louisiana if they are teaching in a Louisiana public school through a J-1 exchange visitor program. Current law does not allow aliens who teach in Louisiana based on J and F visas to be a member in the retirement system.

Information:

J-1 visas are non-immigrant visas issued for exchange visitors who are expected to leave the United States at the completion of their program and return to their home country. The duration of J-1 status depends on the rules established by the particular Visitor Exchange Program. For primary and secondary school teachers and College professors it is generally 18 to 36 months. A rough estimate that was provided suggests that maybe 5 or 6 out of 90 new teachers might stay for a much longer duration.

The Council for the Development of French in Louisiana (CODOFIL), an agency created by the state legislature in 1968 and located in Lafayette, states that there are 229 Foreign Associate Teachers of French from twelve different countries working in twenty-nine school districts in Louisiana. We do not have information regarding other possible J-1 visiting teachers at this time.

Actuarial Cost Impact

Fiscal costs would increase since an annual employer contribution is required for each new member. The projected contribution rate for FY 2009 is 15.5% of member payroll. For example, an estimate for the reported 229 French teachers would require school districts to contribute one to two million dollars a year. **The fiscal cost impact exceeds the \$500,000 annual amount required for Dual Referral. It is possible that certain countries may require agreements that pension contributions for terminated members be forwarded into their national pension system, but this has not been validated.**

The ultimate actuarial impact would depend on the actual termination patterns of these individuals. The employee would be required to contribute eight percent of their pay. Since most persons visiting on a J-1 visa do not stay long enough to vest in the employer benefit they would receive a refund of their employee contributions upon leaving. Interest on employee contributions would be retained by the system. Those who remain in the system with a vested liability would require continued funding.

The taxation of J-1 visa holders varies depending on the category under which the visa was issued. We have been told that teachers generally receive an eighteen month exemption from Social Security and Medicare taxes and return home after three years. **If an employer would no longer be required to pay federal Social Security tax (6.2% of pay) for the visiting teacher, as a member of TRSL, the savings would help offset the employer's contribution cost to the system.**

We are not able to determine a dollar estimate for the proposed legislation in the time allowed for this session. TRSL does not maintain data for this class of temporary visiting teachers. Certain relevant information, including federal Social Security status, would have to be requested and provided by each individual visiting teacher to determine potential net impacts.