



LOUISIANA SCHOOL EMPLOYEES'  
RETIREMENT SYSTEM

# Privatization

Fact Sheet – 22

**HISTORY** In 2006 (eff. 6/23/2006) the Legislature enacted Louisiana Revised Statutes (LRS) 11:1195.1 to collect from employers that portion of the unfunded accrued liability (UAL) attributable to terminating and replacing employees in LSERS positions through privatization, contract, or outsourcing. Previously, this portion of the UAL payments no longer contributed by an employer that privatized LSERS positions was redistributed among the rest of participating employers. Now, the assessed UAL obligation is the liability of the employer who privatized and the obligation is amortized in level payments over 10 years. In 2008 (eff. 7/1/2008) the provisions of LRS 11:1195.2 were enacted to apply to “any position” and the replacement could be from “any other means”. Additionally, the statute allows for a lump sum payment in lieu of being amortized over 10 years.

Employers are not liable for positions that are eliminated through downsizing.

**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 REQUEST FOR COST** Employers may request privatization costs by contacting Carolyn Forbes, Assistant Director, at [cforbes@lsers.net](mailto:cforbes@lsers.net) and provide the following information:

1. Name of LSERS member in or was in position that is being considered for privatization
2. Date of birth
3. Current annual salary rate
4. Estimated date on which position will be privatized (used to determine which end of fiscal year payroll amounts are used in the actuarial calculation)

**COST CALCULATION** The system’s actuary calculates the cost to privatize positions as mandated by statute. However, for illustrative purposes, the following example is provided wherein the School Board privatized seven positions on 10/1/2014:

Member	Annual Salary	Portion of UAL Due
1	\$15,000	\$44,103
2	\$20,000	\$58,804
3	\$25,000	\$73,505
4	\$30,000	\$88,206
5	\$35,000	\$102,906
6	\$40,000	\$117,607
7	\$45,000	\$132,308
<b>Total</b>	<b>\$210,000</b>	<b>\$617,439</b>

In this example, the School Board may elect to make 10 annual amortization payments of \$82,917 each rather than pay the lump-sum of \$617,439. Annual amortization payments received after 10/1/2014 accrues interest at 7.25% from the due date until the date balance is paid in full. If the School Board decides to make annual payments rather than paying in one lump sum, the total amount paid after 10 years would be \$829,170 which includes \$211,731 in 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 privatization.

**AUDITS** School boards may undergo a review by LSERS’ internal auditor to ensure compliance with privatization statutes. Reviews may be routine or brought about by a specific reason.