


**2018 REGULAR SESSION
ACTUARIAL NOTE HB 13**

<p>House Bill 13 HLS 18RS-44 Engrossed with Senate Retirement Committee Amendment #3722</p> <p>Author: Representative Miller Date: May 11, 2018 LLA Note HB 13.03</p> <p>Organizations Affected: Teachers' Retirement System of Louisiana</p> <p>EG1 INCREASE APV</p>	<p>This Note has been prepared by the Actuarial Services Department of the Legislative Auditor with assistance from either the Fiscal Notes staff of the Legislative Auditor or staff of the Legislative Fiscal Office. The attachment of this Note provides compliance with the requirements of R.S. 24:521 as amended by Act 353 of the 2016 Regular Session.</p> <div style="text-align: center;">  <p>Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services</p> </div>
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Bill Header: RETIREMENT/TEACHERS: Provides relative to the reemployment of retirees of the Teachers' Retirement System of Louisiana

Cost Summary:

The estimated actuarial and fiscal impact of HB 13 on the retirement systems and their plan sponsors is summarized below. Actuarial costs pertain to estimated changes in the *actuarial present value of future benefit payments*. Fiscal costs or savings pertain to changes to all cash flows over the next five year period including retirement system cash flows, OPEB cash flows, or cash flows related to other government entities.

An increase in actuarial costs is denoted throughout the actuarial note by "Increase" or a positive number. Actuarial savings are denoted by "Decrease" or a negative number. An increase in expenditures or revenues (fiscal impact) is denoted by "Increase" or a positive number. A decrease in expenditures or revenues is denoted by "Decrease" or a negative number.

Estimated Actuarial Impact:

The top part of the following chart shows the estimated change in the *actuarial present value of future benefit payments and expenses*, if any, attributable to the proposed legislation. The bottom part shows the effect on cash flows.

Actuarial Costs Pertaining to:		Actuarial Cost
The Retirement Systems		Increase
Other Post-Employment Benefits (OPEB)		0
Other Government Entities		0
Total		Increase
Five Year Fiscal Cost Pertaining to:	Expenses	Revenues
The Retirement Systems	Increase	Increase
Other Post Employment Benefits	0	0
Other Government Entities	0	0
Total	Increase	Increase

Bill Information

Current Law

Current law suspends the benefits of a reemployed retired member of the Teachers' Retirement System of Louisiana (TRSL) unless he is reemployed in a Reemployment-Eligible Position or in a Reemployment-Eligible Critical Shortage Position.

1. A Retirement-Eligible Position is defined as:
 - a. A position as a substitute classroom teacher who teaches any student in pre-kindergarten through twelfth grade;
 - b. A position assigned to instructing adults through an adult educational or literacy program administered through a public institution of elementary or secondary education, provided the instructor has a valid Louisiana teaching certificate;
 - c. A position as an adjunct professor; and
 - d. A position for a school nurse.
2. Benefits payable to a retiree reemployed in a Reemployment-Eligible Position are subject to the following suspension of benefit rules.
 - a. If a retiree is reemployed in a Reemployment-Eligible Position before the first anniversary of his original date of retirement, the retiree's benefit will be suspended until the earlier of the date he terminates reemployment and the first anniversary date of his original retirement. The retiree's income from employment is unlimited.

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- b. If a retiree is reemployed in a Reemployment-Eligible Position thereafter, the retiree may continue to work in the Reemployment-Eligible Position and earn an unlimited income from employment. However, his pension benefit will be reduced one dollar for each dollar he earns from employment that exceeds 25% of his original pension benefit. Once his pension benefit has been reduced to 25% of his original benefit no further benefit reduction will occur.
 - c. The benefits of a retiree who retired on or before June 30, 2010 and who is now returning to work for the first time will not be suspended.
3. A Reemployment-Eligible Critical Shortage Position is defined as:
- a. A position as a full-time or part-time classroom teacher who teaches any student in kindergarten (note: not pre-kindergarten) through twelfth grade where a critical shortage exists.
 - b. A position for a full-time certified speech therapist, speech pathologist, audiologist, educational diagnostician, school social worker, school counselor, or school psychologist whose position of employment requires a valid Louisiana ancillary certificate approved and issued by the state Department of Education in a school district where a critical shortage exists.
4. Benefits payable to a retiree reemployed in a Reemployment-Eligible Critical Shortage Position are subject to the following suspension of benefit rules.
- a. If a retiree is reemployed in a Reemployment-Eligible Critical Shortage Position before the first anniversary of his original date of retirement, the retiree's benefit will be suspended until the earlier of the date he terminates reemployment and the first anniversary date of his original retirement. The retiree's income from employment is unlimited.
 - b. If a retiree is reemployed in a Reemployment-Eligible Critical Shortage Position thereafter, the retiree may continue to work in the Reemployment-Eligible Critical Shortage Position and earn an unlimited income from employment. He will also be allowed to receive his pension benefit from TRSL.

In addition current law defines "substitute classroom teacher" as any classroom teacher employed in a temporary capacity to fill the position of another classroom teacher who is either:

1. Unavailable to teach for any reason, or
2. Unavailable to proctor tests for any reason.

Proposed Law

HB 13 adds the following positions to the list of Reemployment-Eligible Positions.

1. A presenter of professional development training.
2. A tutor for any student in pre-kindergarten through twelfth grade.

HB 13 adds the following position to the list of Reemployment-Eligible Critical Shortage Positions:

1. A full-time or part-time classroom teacher who teaches any student in pre-kindergarten in a school district where a critical shortage exists.

HB 13 restructures the law regarding substitute classroom teachers and test proctors.

1. A "substitute classroom teacher" will be redefined as a position for a classroom teacher employed in a temporary capacity to fill the position of another classroom teacher who is unable to teach for any reason. The phrase "or to proctor tests" will be removed from this definition.
2. A position for a classroom teacher employed in a temporary capacity to proctor tests will be added to the list of Reemployment-Eligible Critical Shortage Positions.

Implications of the Proposed Changes

HB 13 permits presenters of professional development and tutors for any student in pre-kindergarten through twelfth grade to return to work and earn an income from employment that is unlimited. However, his original pension benefit will be reduced one dollar for each dollar that he earns in excess of 25% of his original pension.

Current law includes positions for kindergarten through twelfth grade teachers who are employed by a school district with a critical shortage of such teachers. HB 13 changes current law to provide that a Reemployment-Eligible Critical Shortage Position will also include a position for a pre-kindergarten teacher.

Suspension of benefit rules pertaining to retirees who are reemployed to proctor tests are clarified by HB 13. These changes are for clarity purposes only and have no effect on benefit provisions.

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I. ACTUARIAL ANALYSIS SECTION

**A. Analysis of Actuarial Costs
(Prepared by the LLA)**

This section of the actuarial note pertains to actuarial costs or savings associated with the retirement systems, with OPEB, and with other government entities.

1. Retirement Systems

The actuarial cost of HB 13 associated with the retirement system is expected to increase. Our analysis is summarized below.

a. The actuarial present value cost associated with HB 13 depends on many factors including:

1). Demographic Factors

- a). The number of retirees who are qualified to be a presenter or a tutor. This number includes only those who have the necessary credentials for the position. The number excludes those who may not be physically able to perform the duties of the job.
- b). The number of vacant positions for presenters and tutors.
- c). The number of positions for presenters and tutors that are currently being filled by TRSL retirees.
- d). Information contained within a spreadsheet showing the number of active presenters and tutors by gender, age and the total salary being received by those in each cell.
- e). Information contained within a spreadsheet showing the number of retired presenters and tutors by gender, age, reemployment status (either reemployed or not reemployed), and the total TRSL pension benefit being paid by TRSL to those in each cell.
- f). Behavior patterns relative to retirement and reemployment and the ability or inability of legislation to change those patterns.
- g). The same information identified in items “a” through “e” above for retired pre-kindergarten teachers.

2). Factors Pertaining to the Retirement Phase.

- a). For the period of time from a member’s date of retirement to the date of his reemployment occurring prior to the potential enactment of HB 13.
- b). For the period of time from the member’s date of reemployment to the date of the enactment of HB 13.
- c). For the period of time from the enactment of HB 13 to the member’s date of termination from reemployment.
- d). For the period of time from the member’s date of termination from reemployment to the date of death.

3). Benefit Factors

- a). Suspension of benefit rules for presenters and tutors differ from the suspension of benefit rules applicable to pre-kindergarten teachers.
- b). Some of these factors will cause actuarial costs to increase; other will cause a decrease. The magnitude of the increase or decrease associated with each factor cannot be determined or measured in a reliable manner.
- c). Conclusions — We think we can conclude with some degree of confidence that the actuarial present value cost of TRSL will increase and that the increase is more likely than not to be small. The fiscal cost is also expected to be small, less than \$100,000 a year.

2. Other Post-Employment Benefits (OPEB)

The actuarial cost or savings of HB 13 associated with OPEB, including retiree health insurance premiums, is estimated to be \$0. Our analysis is summarized below.

The liability for post-retirement medical insurance protection provided to retirees by the Office of Group Benefits or other insurers remains the same regardless of the employment status of a retiree.

When a retired TRSL member returns to active employment with coverage for health insurance, he is no longer receiving other post-employment benefits. Therefore, the OPEB costs and liabilities are decreased to reflect the time he will be expected to remain employed until the date he terminates his reemployment. However, the post-employment benefit decrease is approximately offset by a comparable increase in during-employment benefits.

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The liability for medical insurance protection provided to members by the Office of Group Benefits, the Louisiana State University health program, or other insurers remains approximately the same regardless of whether a TRSL retiree is reemployed or remains in retired status. The liability is based on the present value of estimated claims and the estimated claims will not change just because the member’s status has changed from retiree to employee.

3. Other Government Entities

The actuarial cost or savings of HB 13 associated with government entities other than TRSL and its sponsors, is estimated to be \$0.

**B. Actuarial Data, Methods and Assumptions
(Prepared by the LLA)**

Unless indicated otherwise, the actuarial note for HB 13 was prepared using actuarial data, methods, and assumptions as disclosed in the most recent actuarial valuation report adopted by PRSAC. The data, methods and assumptions are being used to provide consistency with the actuary for the retirement system who may also be providing testimony to the Senate and House retirement committees.

**C. Actuarial Caveat
(Prepared by the LLA)**

There is nothing in HB 13 that will compromise the signing actuary’s ability to present an unbiased statement of actuarial opinion.

II. FISCAL ANALYSIS SECTION

This section of the actuarial note pertains to fiscal costs or savings associated with the retirement systems (Table A), with OPEB (Table B), and with other fiscal costs or savings associated with government entities not associated with either the retirement systems or OPEB (Table C). Fiscal costs or savings in Table A include administrative costs associated with the retirement systems and the sponsoring government entities. The total effect of HB 13 on fiscal costs, fiscal savings, or cash flows is presented in Table D.

**A. Estimated Fiscal Impact – Retirement Systems
(Prepared by the LLA using information supplied by the LFO)**

1. Narrative

Table A shows the estimated fiscal impact of the proposed legislation on the retirement systems and the government entities that sponsor them. Fiscal costs and savings include both administrative and actuarial costs and savings. A fiscal cost is denoted by “Increase” or a positive number. Fiscal savings are denoted by “Decrease” or a negative number. A revenue increase is denoted by “Increase” or a positive number. A revenue decrease is denoted by “Decrease” or a negative number.

Retirement System Fiscal Cost: Table A

EXPENDITURES	2018-19	2019-2020	2020-2021	2021-2022	2022-23	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	Increase	Increase	Increase	Increase	Increase	Increase
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	Increase	Increase	Increase	Increase	Increase
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

REVENUES	2018-19	2019-2020	2020-2021	2021-2022	2022-23	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	0	Increase	Increase	Increase	Increase	Increase
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	Increase	Increase	Increase	Increase	Increase

The effects on retirement related fiscal costs or savings during the five-year measurement period are shown in Table A and Items 2 and 3 below.

1. Expenditures:

- a. Agy Self-Generated Expenditures will increase under HB 13 because TRSL will distribute more in benefits each year under HB 13 than it will under current law.
- b. Expenditures from Local Funds will increase under HB 13 because school districts will contribute more per year, on average, to TRSL with the enactment of HB 13 than would have been contributed under current law.

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c. There may be implementation costs to make minor software modifications to existing computer programs and to update educational and training publications. These costs are negligible and are anticipated to be absorbed through the agency's existing budget.

2. Revenues:

a. TRSL revenues (Agy Self-Generated) will increase each year if HB 13 is enacted because school districts will contribute more per year to TRSL under HB 13 than would have been contributed under current law.

B. Estimated Fiscal Impact – OPEB

(Prepared by the LLA using information supplied by the LFO)

1. Narrative

Table B shows the estimated fiscal impact of HB 13 on actuarial costs or savings associated with OPEB and the government entities that sponsor these benefit programs. Fiscal costs or savings in Table B include administrative costs associated with the government entity sponsoring the OPEB program. A fiscal cost is denoted by "Increase" or a positive number. Fiscal savings are denoted by "Decrease" or a negative number. A revenue increase is denoted by "Increase" or a positive number. A revenue decrease is denoted by "Decrease" or a negative number.

OPEB Fiscal Cost: Table B

EXPENDITURES	2018-19	2019-2020	2020-2021	2021-2022	2022-23	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

REVENUES	2018-19	2019-2020	2020-2021	2021-2022	2022-23	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

HB 13 will have no effect on OPEB related fiscal costs and revenues during the five year measurement period.

Depending on the respective rules, the allocation of premiums between the employee and the employer may change slightly (but not materially) as an employee moves from a retired status to an active reemployed status. Therefore:

2. Expenditures:

a. Employer premium expenditures may increase slightly or decrease slightly as a result of HB 13, with no material effect.

3. Revenues:

a. OGB and LSU revenues may increase slightly or decrease slightly as a result of HB 13, with no material net effect.

C. Estimated Fiscal Impact: Other Government Entities (unrelated to the retirement systems or OPEB)

(Prepared by the LLA using information supplied by the LFO)

1. Narrative

From time to time, legislation is proposed that has an indirect effect on cash flows associated with other government entities, unrelated to the retirement systems or OPEB. Table C shows the estimated fiscal impact (administrative and actuarial) of HB 13 on such government entities. A fiscal cost is denoted by "Increase" or a positive number. Fiscal savings are denoted by "Decrease" or a negative number.

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Fiscal Costs for Other Government Entities: Table C

EXPENDITURES	2018-19	2019-2020	2020-2021	2021-2022	2022-23	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

REVENUES	2018-19	2019-2020	2020-2021	2021-2022	2022-23	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

HB 13 will have the following effects on fiscal costs and revenues related to other government entities during the five year measurement period.

2. Expenditures:

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

3. Revenues:

There is no anticipated direct material effect on governmental revenues as a result of this measure.

**D. Estimated Fiscal Impact – All Retirement Systems, OPEB, and All Government Entities
(Prepared by the LLA)**

1. Narrative

Table D shows the estimated fiscal impact of HB 13 on all government entities within the state of Louisiana. Cell values in Table D are the sum of the respective cell values in Table A, Table B, and Table C. A fiscal cost is denoted by “Increase” or a positive number. Fiscal savings are denoted by “Decrease” or a negative number. A revenue increase is denoted by “Increase” or a positive number. A revenue decrease is denoted by “Decrease” or a negative number.

Total Fiscal Cost: Table D (Cumulative Costs from Tables A, B, & C)

EXPENDITURES	2018-19	2019-2020	2020-2021	2021-2022	2022-23	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	Increase	Increase	Increase	Increase	Increase	Increase
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	Increase	Increase	Increase	Increase	Increase
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

REVENUES	2018-19	2019-2020	2020-2021	2021-2022	2022-23	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	0	Increase	Increase	Increase	Increase	Increase
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	Increase	Increase	Increase	Increase	Increase

Fiscal Costs Developed by the LFO

1. Narrative

Present law provides a definition of “reemployment-eligible position” to include substitute classroom teacher, adult education instructor, adjunct professor, and school nurse. Proposed law adds presenter of professional development training to the list.

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Fiscal Costs for Other Government Entities

EXPENDITURES	2018-19	2019-2020	2020-2021	2021-2022	2022-23	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

REVENUES	2018-19	2019-2020	2020-2021	2021-2022	2022-23	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

HB 13 will have the following effects on fiscal costs and revenues related to other government entities during the five year measurement period.

2. Expenditures:

There is no anticipated direct material effect on governmental expenditures as a result of this measure. However, there may be implementation costs to make minor software modifications to existing computer programs and to update educational and training publications. These costs are negligible and are anticipated to be absorbed through the agency's existing budget.

3. Revenues:

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Credentials of the Signatory Staff:

Paul T. Richmond is the Manager of Actuarial Services for the Louisiana Legislative Auditor. He is an Enrolled Actuary, a member of the American Academy of Actuaries, a member of the Society of Actuaries and has met the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinion contained herein.

John D. Carpenter, Legislative Fiscal Officer, has supervised the preparation of the fiscal analyses contained herein.

Information Pertaining to Article (10)(29)(F) of the Louisiana Constitution

HB 13 contains a retirement system benefit provision having an actuarial cost.

Some individual members of TRSL will receive a larger retirement benefit if HB 13 is enacted than would be received without HB 13.

Dual Referral Relative to Total Fiscal Costs or Total Cash Flows:

The information presented below is based on information contained in Table D for the first three years following the 2018 regular session.

Senate

House

13.5.1 Applies to Senate or House Instruments.
If an annual fiscal cost \geq \$100,000, then bill is dual referred to:
Dual Referral: Senate Finance

6.8F Applies to Senate or House Instruments.
If an annual General Fund fiscal cost \geq \$100,000, then the bill is dual referred to:
Dual Referral to Appropriations

13.5.2 Applies to Senate or House Instruments.
If an annual tax or fee change \geq \$500,000, then the bill is dual referred to:
Dual Referral: Revenue and Fiscal Affairs

6.8G Applies to Senate Instruments only.
If a net fee decrease occurs or if an increase in annual fees and taxes \geq \$500,000, then the bill is dual referred to:
Dual Referral: Ways and Means