2019 REGULAR SESSION
ACTUARIAL NOTE HB 19

House Bill 19 HLS 19RS-35 **Original** **Author: Representative Pearson** **Date: May 1, 2019** **LLA Note HB 19.01** **Organizations Affected:** **Teachers' Retirement System of Louisiana** **OR NO IMPACT APV**	**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.** James J. Rizzo **James J. Rizzo, ASA, MAAA** **Senior Consultant & Actuary** **Gabriel, Roeder, Smith & Company, Actuary for the Legislative Auditor**

Bill Header: RETIREMENT/TEACHERS: Requires certain payments from minimum foundation program formula funds to the Teachers' Retirement System of Louisiana

Cost Summary:

The estimated net actuarial and fiscal impact of this proposed legislation on the retirement systems and their plan sponsors is summarized below. Net actuarial costs pertain to estimated changes in the ***net actuarial present value of future benefit payments and administrative expenses incurred by the retirement system***. Net 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 ***net 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 (i.e., contributions, benefit payments, and administrative expenses).

Net Actuarial Costs (Liabilities) Pertaining to:		**Net Actuarial Cost**
The Retirement Systems		$0
Other Post-employment Benefits (OPEB)		0
Total		$0
Five Year Net Fiscal Cost Pertaining to:	**Expenditures**	**Revenues**
The Retirement Systems	$0	$0
Other Post-employment Benefits	0	0
Other Government Entities	0	0
Total	$0	$0

Bill Information

Current Law

Current law establishes the procedure for calculation of the annual employer contribution rate for all employers that participate in the Teachers' Retirement System of Louisiana (TRSL). A portion of the required annual contribution is used to pay off the original amortization base (OAB).

The present constitution creates the minimum foundation program (MFP), which is designed to provide minimum education funding for public schools in the state. The MFP distributions are used by school districts to cover education-related expenses, including salaries and retirement costs for the teachers and school employees in the district as well as all other types of expenses.

Under current law, K-12 school districts and charter schools receive MFP distributions each month. Out of those funds and other sources of revenue, they pay all their expenses, including their own contributions to the retirement systems that cover their employees.

Proposed Law

HB 19 removes an amount sufficient to cover a portion of the total OAB payment owed by all employers in TRSL, from the MFP distribution before such funds are distributed to school boards. TRSL will invoice the Department of Education (DOE) each year for an amount sufficient to cover 90% of the total OAB payment for that year. The DOE will transfer the required amount directly to TRSL on behalf of all employers receiving funds through the MFP formula.

HB 19 also provides that employers receiving funds through the MFP formula, and that employ contributing members of TRSL, remain obligated for the remainder of their required contributions to TRSL.

Implications of the Proposed Changes

Part of the required TRSL employer contribution will be paid by the State directly to TRSL from MFP funds on behalf of the employers receiving such funds. The TRSL-participating employers will still be liable for the remaining contributions due to TRSL.

There is no change in the net actuarial present value of future benefit payments and expenses due to HB 19 because there is no effect on benefits payable from TRSL. Furthermore, there is no change in the total amount of employer contributions received by TRSL.

There are, in addition, a few unanswered questions of interpretation and potential conflicts within the proposed bill.

I. ACTUARIAL ANALYSIS SECTION

A. Analysis of Net Actuarial Costs (Prepared by LLA)

This section of the actuarial note pertains to net actuarial costs or savings associated with the retirement systems and with OPEB.

1. Retirement Systems

The net actuarial cost or savings of the proposed legislation associated with the retirement systems is estimated to be $0. The actuary's analysis is summarized below.

The ultimate cost of a plan is determined by the benefits which are paid out and the investment earnings. This bill does not change the benefit terms for current or future members and therefore (a) no member is expected to receive a higher benefit under the proposed law than under the current law and (b) the proposed law does not have any effect on the net actuarial present value of future benefit payments and administrative expenses incurred by the retirement system. Therefore, there is no net actuarial cost in the aggregate. This proposed bill changes the process of collecting funds by the retirement systems. The timing of receipt by the TRSL of the total contributions might be slightly different, but is negligible and, therefore, considered as having no impact.

However, as described below, even though there is no net increase or decrease in total, there may be some employers whose TRSL contribution requirements may increase or whose net MFP payments may decrease, while there may be other employers whose TRSL contribution requirements decrease or whose net MFP payments may increase. In other words, while the total may be a net sum zero, there may be individual cost-shifting between employers.

In addition, there are a few unanswered questions of interpretation and potential conflicts within the proposed bill relating to how the TRSL-paying entities will be credited with contributions paid by DOE and how the DOE would reduce the otherwise-payable MFP distributions to recognize its newly required retirement contributions directly to TRSL.

Above-the-Line or Below-the-Line

There are at least two interpretation of approaches to implementing the proposed bill with respect to when or where in the MFP calculation process the offset could occur: As an offset <u>before</u> the total MFP amounts are designated for each employer (above-the-line) or as an offset <u>after</u> the MFP amounts are designated for each employer (below the line) but before the net MFP payments are actually distributed. Alternatively, some might refer to the above-the-line approach as taking the TRSL payment "off-the-top", and the below-the-line approach as taking the TRSL payment from the MFP payment "after-the-fact".

a. <u>Above-the-line (or off-the-top)</u>. Subsections 11:23(C) and (D) in the proposed bill state:
C. The department shall transfer the required amount to the retirement system on behalf of all employers receiving formula funds. The amount to be paid shall be divided into twelve equal payments and paid monthly.
D. Remaining funds appropriated for the minimum foundation program after the payment required by this Section shall be distributed and used as otherwise provided by law.

These two Subsections, particularly Subsection (D), of the bill appear to point toward an above-the-line interpretation.

Under this above-the-line approach, Step 1 is to sum the total MFP payments designated to MFP-participating entities for the year, as developed under the usual procedure. Step 2 is to subtract (above-the-line) the 90% amount specified by the proposed bill, leaving the remaining total amount of funds appropriated for the minimum foundation program. For a Step 3, the proposed bill does not specify any calculation or allocation methodology for how that remaining total amount of funds appropriated for the minimum foundation program should be allocated or distributed to the employers participating in the MFP. Step 4 would be for each TRSL-paying entity to pay its TRS-required contribution amount, which would be lower than under the current law, because TRSL would calculate the contribution rate differently under the proposed bill. After taking the 90% amount specified by the proposed bill off-the-top, since it would be paid directly from DOE, TRSL would calculate the balance due and shared by all TRSL-paying entities. This above-the-line approach would require TRSL to recalculate the net balance remaining of the total required contribution from all TRSL-paying entities, and develop a lower (than current law) percent of pay contribution for each TRS-participating entity to apply to their covered payroll.

There may even be other interpretive variations on this above-the-line approach.

Depending on the allocation methodology chosen for that Step 3, some cost-shifting would occur. Some employers will receive a lower or higher net amount from the DOE than they would have compared to: (a) the current law's MFP payment less (b) their own total TRSL payment. The proportionate allocation methodology employed in that Step 3 by the DOE would not likely be the same set of proportionate methodology employed by TRSL for sharing the total contribution under current law (allocated or divided by expected TRSL-covered pay). That difference in methodologies would create cost-shifting between employers.

There are two types of cost-shifting inherent in this above-the-line approach. The universe of MFP-participating entities is not the same as the universe of TRSL-paying entities, creating more cost-shifting.

- Under this above-the-line approach, MFP-participating entities that do not participate in TRSL share in the MFP reduction even though they have no TRSL contribution requirement. *The cost of TRSL is partially shifted from MFP-participating entities who participate in TRSL to those that do not.* The non-TRSL entities are helping pay for the TRSL contribution otherwise borne by the TRSL-participating entities. This above-the-line approach obligates the State to fund a portion of TRSL directly and distribute the balance of MFP payments to MFP-participating entities accordingly.
- Another type of cost-shifting under this above-the-line approach occurs for TRSL-paying entities that do not participate in MFP. These entities would not have to pay as much to TRSL under the proposed bill, even though they do not be participate in MFP payments. For example, higher education institutions pay TRSL contributions for their employees participating in the defined benefit pension program of TRSL as well as for their employees participating in the ORP program of TRSL. Under the proposed bill, the above-the-line approach decreases their TRSL contribution requirement because the OAB amortization payment currently is financed by all TRSL-paying entities whether they participate in MFP or not. *So the cost of TRSL is partially shifted from higher education to all K-12 MFP-participating entities.*

b. <u>Below-the-line (or after-the-fact)</u>. Subsection (E) in the proposed bill states:

> *E. Each employer that receives formula funds and that employs contributing members of the retirement system shall be liable to the retirement system for the balance of amounts due pursuant to RS 11:102, including balance of original amortization base payments.*

This Subsection appears to point toward a below-the-line interpretation.

Under this below-the-line approach, Step 1 is for TRSL to calculate a representative share of the 90% amount specified by the proposed bill for each of the MFP-participating entities, add them up and send the DOE an invoice for the total along with the itemized list showing each MFP-participating entity's representative dollar amount share. Step 2 is for the DOE to let the MFP process flow as under current law, developing an MFP payment for each MFP-participating entity. Step 3 is for DOE to subtract (below-the-line) the TRSL-provided itemized amount from each MFP-participating entity's otherwise MFP payment, leaving the remaining funds appropriated for the minimum foundation program and distribute that amount to each MFP-participating entity. Note the itemized listing amounts in Step 3 here adds up to the same total as in Step 3 of the above-the-line approach discussed above. The effect on each individual employer is different because of the different allocating methodologies. Step 4 is the same here as in the above-the-line approach described previously. Each TRSL-paying entity would pay its TRS-required contribution amount, which would be lower than under the current law, because TRSL would calculate the contribution rate differently under the proposed bill. After taking the 90% amount specified by the proposed bill off-the-top, since it would be paid directly from DOE, TRSL would calculate the balance due and shared by all TRSL-paying entities. This above-the-line approach would require TRSL to recalculate the net balance remaining of the total required contribution from all TRSL-paying entities, and develop a lower (than current law) percent of pay contribution for each TRS-participating entity to apply to their covered payroll.

The effect of the below-the-line approach differs somewhat from the above-the-line approach.

- The below-the-line approach avoids one type of cost-shifting. The MFP-participating entities that are not participating in TRSL will receive the same MFP payment as under current law. They would have no below-the-line reduction in their otherwise MFP payment (as in Step 3) because they would not be on the TRSL-provided itemized list of amounts.
- However, like the above-the-line approach, the below-the-line approach shifts costs from the higher education institutions to the MFP-participating entities because the proposed bill calls for DOE to pay (out of the MFP payments) the full 90% amount of the OAB, which under current law is paid by all TRSL-paying entities, including higher education. But higher education institutions are also not on the TRSL-provided itemized list of amount because they are not MFP participating entities.

There may even be other reasonable interpretive variations on this below-the-line approach.

In summary, the proposed bill does not change TRSL benefits; nor does it change the <u>total</u> contributions paid by entities or received by TRSL. Different interpretations of the proposed bill might be available to those at the DOE and TRSL who would implement this proposed bill. These different interpretations and approaches would result in some cost-shifting among MFP-participating entities and TRSL-paying entities.

GASB Accounting and Financial Report

The Governmental Accounting Standards Board (GASB) sets accounting and financial reporting standards for State and Local Governments. Their respective Comprehensive Annual Financial Statements (CAFRs), Official Statements relating to bond issues and other disclosures must comply with GASB standards in order to be in accordance with Generally Accepted Accounting Principles (GAAP).

The proposed bill would shift balance sheet liabilities and accounting expenses from the local MFP-participating entities and all TRSL-paying entities to the State's financial statement, even though the cash disbursement total is unchanged. Currently, the State supplies the local MFP-participating entities with funds from which they pay all their expenditures including the TRSL contribution. In the GASB's view that makes the balance sheet liability appear on the local entities' financial statements. However, under the proposed bill: (a) The State is "legally responsible for making the contributions", (b) The State is legally responsible to "make the contributions directly to a pension plan" (TRSL), and (c) The amount of the contributions is dependent on circumstances related to the pension plan, i.e., the amount is a percentage (90%) of a portion of the unfunded liability payment (the OAB amortization payment) required for funding the plan.

These are the markers that satisfy GASB Statement No. 68 (paragraph 15) and cause a portion of the TRSL net pension liability (balance sheet liability) and pension expense to appear in the State's financial statements, and cause that portion to not appear on the school districts' financial statements. Most of the TRSL balance sheet liability and expense will continue to appear in the financial statements of the local school districts because they continue to have direct obligations to pay TRSL the balance due under the proposed bill.

2. Other Post-employment Benefits (OPEB)

The net actuarial cost or savings of the proposed legislation associated with OPEB, including retiree health insurance premiums, is estimated to be $0. The actuary's analysis is summarized below.

This bill does not change the benefit terms including members' eligibility for retirement and as such there is no impact on the future Other Post-employment Benefits.

B. <u>Actuarial Data, Methods and Assumptions</u>
(Prepared by LLA)

Unless indicated otherwise, the actuarial note for the proposed legislation was prepared using actuarial data, methods, and assumptions as disclosed in the most recent actuarial valuation report adopted by the Public Retirement Systems' Actuarial Committee (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. With certain exceptions, the actuary for the LLA finds the assumptions used by the retirement systems and PRSAC to be reasonable.

C. <u>Actuarial Caveat</u>
(Prepared by LLA)

There is nothing in the proposed legislation that will compromise the signing actuary's ability to present an unbiased statement of actuarial opinion.

II. <u>FISCAL ANALYSIS SECTION</u>

This section of the actuarial note pertains to fiscal (annual) costs or savings associated with the retirement systems (Table A), with OPEB (Table B), and with other fiscal costs or savings incurred by other government entities (Table C). Fiscal costs or savings in Table A include benefit-related actuarial costs and administrative costs incurred by the retirement systems. The total effect of HB 19 on fiscal costs, fiscal savings, or cash flows is presented in Table D.

A. <u>Estimated Fiscal Impact – Retirement Systems</u>
(Prepared by LLA)

1. Narrative

Table A shows the estimated fiscal impact of the proposed legislation on the retirement systems and the government entities that sponsor them. 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	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**5 Year Total**
State General Fund	Increase	Increase	Increase	Increase	Increase	Increase
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	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Annual Total	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

REVENUES	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**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 proposed legislation will have the following effects on retirement related fiscal costs and revenues during the five year measurement period.

2. Expenditures: Table A presents the effects of the proposed bill on Fiscal Costs relating to the Retirement System.

   a. Expenditures for the State General Fund are presented with an increase because, for the first time, it would be obligated to fund a portion of the TRSL contribution requirement directly to TRSL. This Table A relates to Fiscal Costs for the next five years that relate to the Retirement System only. So any decrease in the State Fund's Fiscal Cost due to paying MFP-participating entities less would be reflected in Tables C and D below.
   b. Expenditures from TRSL (Agy Self Generated) are presented as zero because benefits will not change and the minor expected increase in administrative expenses is negligible.
   c. Retirement System expenditures from Local Funds will decrease under HB 19 because employers receiving MFP monies will contribute less per year to TRSL since the DOE will pay a portion of the required contribution directly to TRSL. So any increase in the Local Fund's Fiscal Cost revenues due to the DOE paying some of what was their total TRSL contribution would be reflected in Tables C and D below.
   d. The Annual Total Expenditures is presented as zero because the State and Local Funds, together, will pay the same amount to TRSL under the proposed law as under the current law.
   e. There may be a slight increase in TRSL expenditures to allocate or re-allocate costs to be paid directly by TRSL-paying entities. However, this increase is so minor that is presented as zero in Table A.

3. Revenues:

   a. Revenues to TRSL (Agy Self Generated) are presented as zero because TRSL will collect the same amount in total (form both State and Local Funds together) under the proposed bill as under the current bill.
   b. Revenues to Local Funds are presented as zero because they receive no funds specifically designated or earmarked for Retirement Systems. So any increase in the Local Fund's Fiscal Cost revenues due to the DOE paying some of what was their total TRSL contribution would be reflected in Tables C and D below.

B. <u>Estimated Fiscal Impact – OPEB</u>
(Prepared by LLA)

1. Narrative

Table B shows the estimated fiscal impact of the proposed legislation on actuarial benefit and administrative costs or savings associated with OPEB and the government entities that sponsor these benefit programs. 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	2019-20	2020-21	2021-22	2022-23	2023-24	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	2019-20	2020-21	2021-22	2022-23	2023-24	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 proposed legislation will have the following effects on OPEB related fiscal costs and revenues during the five year measurement period.

2. Expenditures:

No measurable effects.

3. Revenues:

No measurable effects.

C. <u>Estimated Fiscal Impact: Other Government Entities (other than the retirement systems or OPEB)</u>
(Prepared by Bradley Cryer, Director of Local Government Services, LLA*)*

1. Narrative

From time to time, legislation is proposed that has an indirect effect on cash flows associated with other government entities (other than the retirement systems or OPEB). Table C shows the estimated fiscal impact of the proposed legislation 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.

Fiscal Costs for Other Government Entities: Table C

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	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	2019-20	2020-21	2021-22	2022-23	2023-24	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 proposed bill will have the following effects on fiscal costs and revenues related to other government entities during the five year measurement period.

2. Expenditures:

This bill may result in additional staffing time for local government accountants to address changes in GASB reporting requirements; however, such additional time would be expected to be absorbed by existing local government staff. The bill may also slightly increase audit costs based on the potential changes in GASB reporting requirements; however, such additional costs are not expected to have a direct material effect on local government expenditures.

3. Revenues:

   No measurable effects.

D. <u>Estimated Fiscal Impact − All Retirement Systems, OPEB, and All Government Entities</u>
(Prepared by LLA)

1. Narrative

   Table D shows the estimated fiscal impact of the proposed legislation 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	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**5 Year Total**
State General Fund	Increase	Increase	Increase	Increase	Increase	Increase
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	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Annual Total	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

REVENUES	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**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 following tables, narrative and explanations, in Section E below, were prepared by Tanesha Morgan on behalf of the Legislative Fiscal Office, and intend to present the cost-shifting effect upon the local school districts - not the total net effect of the bill on all TRSL-paying entities and not the total net effect of the bill on all MFP-participating entities, which net to zero as described in Section A above.

E. Estimated Fiscal Impact: Other Government Entities (other than the retirement systems or OPEB)

1. Narrative

The proposed legislation requires the Board of Elementary and Secondary Education to annually allocate an amount from the Minimum Foundation Program (MFP) sufficient to make the annual payment to the Teacher's Retirement System on behalf of all employers receiving funds through the MFP formula. The retirement system is required to annually invoice the Department of Education for an amount equal to 90% of the cost of the mid-year amortization payment on the Original Amortization Base schedule reflected in the most recent system valuation adopted by the Public Retirement Systems Actuarial Committee. The Department of Education will transfer the required amount to the retirement system on behalf of all employers. Each employer that receives formula funds and employs contributing members of the retirement system is liable for the balance pursuant to R.S. 11:102 to the retirement system. The provisions of this Act will become effective on July 1, 2019.

Fiscal Costs for Other Government Entities: Table E

EXPENDITURES	2019-20	2020-2021	2021-2022	2022-2023	2023-24	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	44,100,000	45,000,000	45,900,000	46,800,000	47,700,000	229,500,000
Annual Total	$ 44,100,000	$ 45,000,000	$ 45,900,000	$ 46,800,000	$ 47,700,000	$ 229,500,000

REVENUES	2019-20	2020-2021	2021-2022	2022-2023	2023-24	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 19 will have the following effects on fiscal costs and revenues related to other government entities during the five year measurement period.

2. Expenditures:

This measure is anticipated to increase local school district expenditures by approximately $44.1 M in FY 20 and in future fiscal years as a result of the school districts paying in excess of their actual OAB liability. This bill provides that 90% of the Original Amortization Base (OAB) be paid as a lump sum from the Minimum Foundation Program (MFP) prior to each school district receiving their MFP allocation. The bill does not specify that the school districts would pay 90% of their portion of OAB. Therefore, this note assumes that they would pay 90% of the total OAB. Historically, the local school districts have been responsible for paying approximately 75% of the OAB.

	FY 20	*FY 21*	*FY 22*	*FY 23*	*FY 24*
Total OAB	*$ 294.0*	*$ 299.9*	*$ 305.9*	*$ 312.0*	*$ 318.3*
90% of OAB	*$ 264.6*	*$ 269.9*	*$ 275.3*	*$ 280.8*	*$ 286.5*
75% of OAB	*$ 220.5*	*$ 224.9*	*$ 229.4*	*$ 234.0*	*$ 238.7*
Difference	***$ 44.1***	***$ 45.0***	***$ 45.9***	***$ 46.8***	***$ 47.7***
Dollar amounts in millions					

Additionally, the bill specifies that Department of Education shall transfer to the retirement system the required amount on behalf of all employers that receive formula funding, and does not distinguish between TRSL participating and non-participating charter schools. This will result in 115 non-participating charter schools losing a portion of their MFP funding to pay for OAB, an expense in which they do not currently incur since they do not participate in TRSL.

3. Revenues:

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

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Credentials of the Signatory Staff:

James J. Rizzo is a Senior Consultant and Actuary with Gabriel, Roeder, Smith & Company, which is currently serving as the actuary for the Louisiana Legislative Auditor. He is an Enrolled Actuary, a member of the American Academy of Actuaries, an Associate 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.

Actuarial Disclosure: Risks Associated with Measuring Costs
This Actuarial Note is an actuarial communication, and is required to include certain disclosures in compliance with Actuarial Standards of Practice (ASOP) No. 51. Risk disclosures otherwise required by ASOP No. 51 do not apply to this Actuarial Note because the proposed bill does not significantly change the types or levels of risks of the retirement system.

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

☐ HB 19 contains a retirement system benefit provision having an actuarial cost.

No member of TRSL will receive a larger benefit with the enactment of HB 19 than what he would have received without HB 19.

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 2019 regular session.

Senate			**House**		
☐	13.5.1	Applies to Senate or House Instruments. If an annual fiscal cost ≥ $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 ≥ $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 ≥ $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 ≥ $500,000, then the bill is dual referred to: **Dual Referral: Ways and Means**