OFFICE OF LEGISLATIVE AUDITOR
2025 REGULAR SESSION
ACTUARIAL NOTE

House Bill 24 HLS 25RS-204	**Date: May 29, 2025**
Enrolled	**Organizations Affected: TRSL**
Author: Bacala	
LLA Note HB 24.05	**EN SEE ACTUARIAL NOTE APV**

Bill Header: RETIREMENT/TEACHERS: Provides relative to the optional retirement plan in the Teachers' Retirement System of Louisiana

Purpose of Bill:
Proposed law:
1. Adds the commissioner of higher education, or his designee, as an ex officio member of the board of the Teachers' Retirement System of Louisiana (TRSL).
2. Provides that an employee can elect to participate in Social Security instead of TRSL at first employment in a TRSL covered position if they are at least age 60, or at least age 55 and have earned at least forty quarters in the Social Security system.
3. Expands eligibility for participation in the Optional Retirement Plan (ORP) from only certain employees in higher education institutions to similar classes of employees in all postsecondary education institutions.
4. Extends the period during which an active contributing member of the ORP may make an irrevocable election to become a member of the regular (defined benefit) plan (DBP) of TRSL from five years following the participant's first employment to seven years.
5. Permits a former ORP participant who was not actively employed in a TRSL covered position on June 30, 2024, who returns to active employment to elect to participate in the defined benefit plan instead of ORP on a prospective basis.
6. Establishes a nine-member ORP Advisory Committee which will provide information and feedback on ORP related topics to the TRSL Board of Trustees as well as provide regular updates to ORP participants.

Summary of Impact[1]: The estimated net actuarial and fiscal impact of the proposed legislation is summarized below.

Proposed law is not expected to have an immediate impact on the ***net actuarial present value of expected future benefits and administrative expenses*** incurred by the retirement system. Over the long term, proposed law may increase the ***normal cost rate, and therefore the employer contribution,*** incurred by the retirement system. A more detailed explanation can be found in Section I: Actuarial Impact on Retirement Systems.

This bill is subject to the Louisiana Constitution which requires unfunded liabilities created by an improvement in retirement benefits to be amortized over a period not to exceed ten years.

Net Fiscal Costs pertain to changes to all cash flows over the next five-year period including retirement system cash flows or cash flows related to local and state government entities.

In the following table, expenditures and revenues include cash flows to or from the affected retirement system (e.g. administrative expenses incurred by, benefit payments from, or contributions to the retirement system) and do not include administrative expenditures and revenues specifically incurred by the state or local government entities associated with implementing the legislation. A more detailed explanation can be found in Section II: Fiscal Impact on Retirement Systems.

Five Year Net Fiscal Costs Pertaining to:	**Expenditures**	**Revenues**
The Retirement Systems	$ 0	See Section II
Local Government Entities	See Section II	0
State Government Entities	See Section II	0
Total	**See Section II**	**See Section II**

In the following table, expenditures and revenues include administrative expenditures and revenues specifically incurred by the state or local government entities associated with implementing the legislation and do not include cash flows to or from the affected retirement system (i.e. contribution changes included in the above table). This information is provided by the LLA Local Government Services or the Legislative Fiscal Office. A more detailed explanation can be found in Sections III: Fiscal Impact on Local Government Entities and Section IV: Fiscal Impact on State Government Entities.

Five Year Net Fiscal Costs Pertaining to:	**Expenditures**	**Revenues**
Local Government Entities	$ 0	$ 0
State Government Entities	See Section IV	0
Total	**See Section IV**	**$ 0**

[1] This is a different assessment from the actuarial cost requiring a 2/3rd vote (refer to the section near the end of this Actuarial Note "**Information Pertaining to La. Const. Art. X, §29(F)**").

This Note has been prepared by the Actuary for the Louisiana Legislative Auditor (LLA) with assistance from either the Fiscal Notes staff of the Legislative Auditor or staff of the Legislative Fiscal Office (LFO). 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.	**Kenneth J. "Kenny" Herbold, ASA, EA, MAAA** **Director of Actuarial Services** **Louisiana Legislative Auditor**

I. ACTUARIAL IMPACT ON RETIREMENT SYSTEMS

This section of the actuarial note is intended to provide a brief outline of the changes in plan provisions and actuarial effect on key aspects of the affected retirement systems.

Proposed law:

1. Adds the commissioner of higher education, or his designee, as an ex officio member of the board of the Teachers' Retirement System of Louisiana (TRSL).
2. Provides that an employee can elect to participate in Social Security instead of TRSL at first employment in a TRSL covered position if they are at least age 60, or at least age 55 and have earned at least forty quarters in the Social Security system.
3. Expands eligibility for participation in the Optional Retirement Plan (ORP) from only certain employees in higher education institutions to similar classes of employees in all postsecondary education institutions.
4. Extends the period during which an active contributing member of the ORP may make an irrevocable election to become a member of the regular (defined benefit) plan (DBP) of TRSL from five years following the participant's first employment to seven years.
5. Permits a former ORP participant who was not actively employed in a TRSL covered position on June 30, 2024, who returns to active employment to elect to participate in the defined benefit plan instead of ORP on a prospective basis.
6. Establishes a nine-member ORP Advisory Committee which will provide information and feedback on ORP related topics to the TRSL Board of Trustees as well as provide regular updates to ORP participants.

Provisions 2 and 3 above are likely to result in a decrease in participation in the TRSL's DBP in favor of participation in ORP. This may have the impact of shifting younger, shorter service employees away from the DBP, which could potentially increase the normal cost rate if the average age and service of a participating member increases. However, any potential impact to the normal cost rate is expected to be minimal. Further, the total amortization payment, on both a dollar and percent-of-payroll basis, should not be impacted because the amortization payment is made on the total payroll of participating employers regardless of whether employees are participating in the DBP or ORP.

Over the long-term, Provision 4 is expected to slightly increase the normal cost rate, and therefore the total employer contribution rate, for the higher education plan. Tenure for faculty at higher education institutions is most commonly granted approximately 6 years following initial employment. Extending the period during which someone may elect to participate in the DBP instead of the ORP, from 5 to 7 years provides the opportunity for individuals who have received tenure but originally elected to participate in the ORP to opt into the DBP on a prospective basis once the tenure decision is known. If this results in more people electing the ORP in the early part of their career and changing to the DBP once this decision is made, cost would be expected to increase because shorter service employees that either do not vest, or who vest but otherwise elect to withdraw employee contributions at termination, are generally a net gain to the retirement system. Further, the older a person is when they first begin participation in the plan, the costlier it is to provide a given benefit. This occurs, because there is generally a shorter period of time until they reach retirement eligibility and therefore a shorter period of time over which to fund the benefit. It is expected that moving the option from 5 years (prior to when most people know if they will receive tenure or not) to 7 years (after the tenure decision is known) will change participant behavior and therefore likely increase costs, it is not possible to reasonably predict the long-term impact of this change.

Provision 5 is not expected to have a material impact on the DBP.

Provisions 1 and 4 have no impact on the DBP and therefore no actuarial impact.

The expected net impact of all provisions of proposed law is a slight increase to the normal cost and therefore the employer contribution rate, over the long-term.

II. FISCAL IMPACT ON RETIREMENT SYSTEMS

This section of the actuarial note pertains to annual fiscal costs (savings) associated with the retirement systems.

Fiscal costs or savings include only cash flows to or from the affected retirement system (e.g. administrative expenses incurred by, benefit payments from, or contributions to the retirement system) and do not include administrative expenditures and revenues specifically incurred by the state or local government entities associated with implementing the legislation. 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.

Table A: Retirement System Fiscal Cost

Expenditures	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5-Year Total**
State General Fund	See below	See below	See below	See below	See below	See below
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	See below	See below	See below	See below	See below	See below
Annual Total	**See below**	**See below**	**See below**	**See below**	**See below**	**See below**

Revenues	**2025-26**	**2025-26**	**2025-26**	**2025-26**	**2025-26**	**2025-26**
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Agy Self-Generated	See below	See below	See below	See below	See below	See below
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	**See below**	**See below**	**See below**	**See below**	**See below**	**See below**

Changes in employer contributions are reflected in the State General Fund and/or Local Fund expenditure lines above. The actual sources of funding (e.g., Federal Funds, State General Fund, etc.) may vary by employer and are not differentiated in the table.

The proposed legislation is expected to have the following effects on retirement related fiscal costs and revenues during the five-year measurement period.

1. Expenditures:

   a. TRSL indicated that any administrative costs associated with implementing these changes could be absorbed within the existing budget.
   b. For the purpose of employer contributions (State General Fund and Local Funds expenditures), ORP and DBP are considered as a single entity under TRSL. Outlined below are the total contributions under present and proposed law for the ORP and the Higher Education subplan of the DBP.

Contribution (as a % of payroll)	ORP	DBP
Employer ORP Contribution	6.20%[1]	0.00%
Employer DBP Normal Cost	0.00%	3.05%[2,3]
Admin Expense Rate	0.00%[4]	0.36%[2]
Shared UAL Rate	15.17%[2]	15.17%[2]
AFC Rate	0.00%	1.75%[2]
Total Employer Contribution	21.37%	20.33%
Employee Contribution	8.00%[4]	8.00%

[1]Statutory minimum required contribution. Higher education boards created by Article VIII of the Louisiana Constitution can establish the employer contribution rate above 6.2% by board resolution.
[2]Applicable for the 2025-26 FY.
[3]Does not account for any change in Employer Normal Cost rate due to changes in the demographic make-up of the DBP associated with the bill.
[4]Administrative expenses of the ORP are currently borne exclusively by participating employees. Beginning July 1, 2026, the employee portion is limited to no more than the lesser of 1/2 of the actual fee or 0.5% of pay for the employee, with the remainder being paid by the employer.

      i. To the extent employees at postsecondary institutions elect to participate in the ORP instead of the DBP, total contributions would increase.
      ii. To the extent some members of the ORP with more than 5 years of service, but less than 7, elect to participate in the DBP, contributions compared to present law would decrease slightly. However, for individuals who switch to the DBP, contributions to that individual member's ORP fund, which are solely for the benefit of that individual, will end, while contributions to the DBP, which become part of the DBP fund, will begin.

2. Revenues:

   Employer contributions to TRSL are represented as Agy Self-Generated revenues in Table A above.

III. FISCAL IMPACT ON LOCAL GOVERNMENT ENTITIES

This section of the actuarial note pertains to annual fiscal costs (savings) related to administrative expenditures and revenue impacts incurred by local government entities other than those included in Section II.

The proposed legislation is not expected to have any additional effects on fiscal administrative costs and revenues related to local government entities during the five-year measurement period, other than those outlined above.

IV. FISCAL IMPACT ON STATE GOVERNMENT ENTITIES
(Prepared by Legislative Fiscal Office)

This section of the actuarial note pertains to annual fiscal costs (savings) related to administrative expenditures and revenue impacts incurred by state government entities other than those included in Section II.

From time to time, legislation is proposed that has an indirect effect on administrative expenditures and revenues associated with state government entities (other than the impact included in Section II). Table B shows the estimated fiscal administrative cost impact of the proposed legislation on such state government entities. 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.

Table B: Fiscal Costs for State Government Entities

Expenditures	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5-Year Total**
State General Fund	See Below	See Below	See Below	See Below	See Below	See Below
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	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**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 fiscal costs and revenues related to state government entities during the five-year measurement period.

1. Expenditures:

   Proposed legislation may result in minimal increase in SGF expenditures associated with travel and lodging reimbursements. Proposed legislation creates an Optional Retirement Plan Advisory Committee to provide information and feedback to the Board of Trustees for the Teachers' Retirement System of Louisiana (TRSL). The members of the board shall serve without compensation; however, board members may receive travel and other reimbursements as permitted in the official state Policy and Procedure Manual (PPM49) for attending board meetings.

2. Revenues:

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

V. ACTUARIAL DISCLOSURES

Intended Use

This actuarial note is based on our understanding of the bill as of the date shown above. It is intended to be used by the legislature during the current legislative session only and assumes no other legislative changes affecting the funding or benefits of the affected systems, other than those identified, will be adopted. Other readers of this actuarial note are advised to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. The actuarial note, and any referenced documents, should be read as a whole. Distribution of, or reliance on, only parts of this actuarial note could result in its misuse and may mislead others. The summary of the impact of the bill included in this actuarial note is for the purposes of an actuarial analysis only, as required by La. R.S. 24:521, and is not a legal interpretation of the provisions of the bill.

Actuarial Data, Methods and Assumptions

Unless indicated otherwise, this actuarial note 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 assumptions and methods are reasonable for the purpose of this analysis.

For certain calculations that may be presented herein, we have utilized commercially available valuation software and/or are relying on proprietary valuation models and related software developed by our actuarial contractor. We made a reasonable attempt to understand the intended purpose of, general operation of, major sensitivities and dependencies within, and key strengths and limitations of these models. In our professional judgment, the models have the capability to provide results that are consistent with the purposes of the analysis and have no material limitations or known weaknesses. Tests were performed to ensure that the model reasonably represents that which is intended to be modeled.

To the extent that this actuarial note relies on calculations performed by the retirement systems' actuaries, to the best of our knowledge, no material biases exist with respect to the data, methods or assumptions used to develop the analysis other than those specifically identified. We did not audit the information provided, but have reviewed the information for reasonableness and consistency with other information provided by or for the affected retirement systems.

Conflict of Interest

Some employees of the LLA are members of TRSL, but there is nothing in the proposed legislation that will compromise the signing actuary's ability to present an unbiased statement of actuarial opinion.

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.

A full actuarial determination of the retirement system's costs, actuarially determined contributions and accrued liability require the use of assumptions regarding future economic and demographic events. The assumptions used to determine the retirement system's contribution requirement and accrued liability are summarized in the system's most recent Actuarial Valuation Report accepted by the respective retirement board and by the Public Retirement Systems' Actuarial Committee (PRSAC).

The actual emerging future experience, such as a retirement fund's future investment returns, may differ from the assumptions. To the extent that emerging future experience differs from the assumptions, the resulting shortfalls (or gains) must be recognized in future years by future taxpayers. Future actuarial measurements may also differ significantly from the current measurements due to other factors: changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period; or additional cost or contribution requirements based on the system's funded status); and changes in plan provisions or applicable law.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. Investment risk – actual investment returns may differ from the expected returns (assumptions);
2. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
3. Salary and Payroll risk – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
4. Longevity and life expectancy risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
5. Other demographic risks – members may terminate, retire or become disabled at times or with benefits at rates that differ from what was assumed, resulting in actual future accrued liability and contributions differing from expected.

The scope of an actuarial note prepared for the Louisiana Legislature does not include an analysis of the potential range of such future measurements or a quantitative measurement of the future risks of not achieving the assumptions. In certain circumstances, detailed or quantitative assessments of one or more of these risks as well as various plan maturity measures and historical actuarial measurements may be requested from the actuary. Additional risk assessments are generally outside the scope of an actuarial note. Additional assessments may include stress tests, scenario tests, sensitivity tests, stochastic modeling, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

However, the general cost-effects of emerging experience deviating from assumptions can be known. For example, the investment return since the most recent actuarial valuation may be less (or more) than the assumed rate, or a cost-of-living adjustment may be more (or less) than the assumed rate, or life expectancy may be improving (or worsening) compared to what is assumed. In each of these situations, the cost of the plan can be expected to increase (or decrease).

The use of reasonable assumptions and the timely receipt of the actuarially determined contributions are critical to support the financial health of the plan. However, employer contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

Certification

Kenneth J. Herbold is an Associate of the Society of Actuaries (ASA), a Member of the American Academy of Actuaries (MAAA), and an Enrolled Actuary (EA) under the Employees Retirement Income Security Act of 1974. Mr. Herbold meets the US Qualification Standards necessary to render the actuarial opinion contained herein.

VI. LEGISLATIVE PROCEDURAL ITEMS

Information Pertaining to La. Const. Art. X, §29(F)

☒ This bill contains a retirement system benefit provision having an actuarial cost.

Some members of a retirement system could receive a larger benefit with the enactment of this bill than what they would have received without this bill.

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

The information presented below is based on information contained in Sections II, III, and IV for the first three years following the 2025 Regular Session.

Senate

☐ 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

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

House

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

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