


**2018 REGULAR SESSION
REVISED ACTUARIAL NOTE HB 14**

<p>House Bill 14 HLS 18RS-180 Engrossed with House Retirement Committee Amendment #2847</p> <p>Author: Representative Smith Date: April 26, 2018 LLA Note HB 14.02</p> <p>Organizations Affected: Teachers' Retirement System of Louisiana</p> <p>EG 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;">  Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services </div>
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Bill Header: RETIREMENT/TEACHERS: Provides relative to the reemployment of retired interpreters, educational transliterators, and certified educators of the hearing impaired in positions covered by the Teachers' Retirement System of Louisiana.

Cost Summary:

The estimated actuarial and fiscal impact of HB 14 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)		Negligible
Other Government Entities		0
Total		Increase
Five Year Fiscal Cost Pertaining to:	Expenses	Revenues
The Retirement Systems	Increase	Increase
Other Post Employment Benefits	Negligible	0
Other Government Entities	0	0
Total	Increase	Increase

This bill complies with 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.

Bill Information

Current Law

1. *Reemployment-Eligible Positions*

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 which 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.

Benefits payable to a retiree reemployed in a Reemployment-Eligible Position are subject to the following suspension of benefit rules.

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- 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.
- b. After a year of retirement a retiree may continue to work in a 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 reemployment that exceeds 25% of his pre-reemployment pension benefit. Once his pension benefit has been reduced to 25% of his pre-reemployment benefit no further benefit reduction will occur.

2. *Reemployment-Eligible Critical Shortage Positions*

Reemployment-Eligible Critical Shortage Positions include the following positions:

- a. A position for a full-time or part-time classroom teacher who teaches any student in kindergarten through twelfth grade in a school *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*.

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 (third anniversary if he retired with a reduced benefit) 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 (third anniversary date if he retired with a reduced benefit) of his original retirement. The retiree's income from reemployment is unlimited.
- b. If a retiree is reemployed in a 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 receive his full pension benefit as long as the Board of Elementary and Secondary Education and the board of trustees of TRSL have received certification that a critical shortage exists.
- c. Suspension of pension benefits will resume if the Board of Elementary and Secondary Education and the TRSL Board of Trustees fail to recertify that a critical shortage exists.

3. *Reemployment-Eligible Retirees*

Retirement-Eligible Retirees include:

- a. A retiree who retired on or before June 30, 2010.
- b. A retiree who holds an advanced degree in speech therapy, speech pathology, or audiology.

Pension benefits for a Reemployment-Eligible Retiree who retired on or before June 30, 2010 will not be suspended.

Proposed Law

1. *Reemployment-Eligible Positions*

HB 14 adds the following positions to the list of Reemployment-Eligible Positions.

- a. A position for a member of clerical staff in an elementary or secondary school will be added to the list of Reemployment-Eligible Positions.

2. *Reemployment-Eligible Critical Shortage Positions*

HB 14 adds the following designated positions to the list of Reemployment-Eligible Critical Shortage Positions.

- a. Interpreter,
- b. Educational transliterator,
- c. Educator of the deaf or hard of hearing, and
- d. Pre-kindergarten teacher

A reemployed retiree must satisfy the following conditions to avoid a suspension of his pension benefit under HB 14.

- a. The reemployed retiree must qualify and be reemployed into one the designated positions, and
- b. The employer must have a certified critical shortage of personnel able and willing to fill the designated position.

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3. *Reemployment-Eligible Retiree*

HB 14 makes the following changes to the definition of Reemployment-Eligible Retiree.

- a. The definition of a Reemployment-Eligible Retiree is changed from a retiree who retired on or before June 30, 2010, to a retiree who has been retired for at least five years.
- b. Note: this rule supersedes all other suspension of benefit rules. Therefore, pension benefits for all Reemployment-Eligible Retirees including (a) those whose benefits have been fully suspended, (b) those who qualify for a partial suspension as a retiree filling a Reemployment-Eligible Position, and (c) those who qualify as a retiree filling a Reemployment-Eligible Critical Shortage Position, will not be suspended, but rather will be paid by TRSL. No benefit suspension will occur for any retiree who has been retired at least five years.

Implications of the Proposed Changes

- a. HB 14 liberalizes the suspension of benefit rules for TRSL under R.S. 11:710. It is likely to have an impact on retirement patterns, and is very likely to result in members retiring earlier than they would have otherwise. The provisions of HB 14 pertaining to Reemployment-Eligible Positions and to Reemployment-Eligible Critical Shortage Positions are likely to have an actuarial cost that is relatively small.
- b. However, provisions of HB 14 related to Retirement-Eligible Retirees are likely to affect retirement patterns, with employees retiring earlier than they would have otherwise. As a result, the actuarial present value cost is likely to increase, and that increase is likely to be significant.

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

Changes in the actuarial present value of benefits associated with HB 14 cannot be precisely measured because actuarial present value costs depend on the effect that HB 14 will have on (a) retirement patterns of individuals approaching retirement and (b) return to work patterns for those already in retirement. There is no reliable way to predict the effect of HB 14 on patterns of human behavior. The best that we can do is to predict whether the change in actuarial cost is small, moderate or significant, or variations thereof. We have developed three examples to help explain how we developed our relative cost predictions.

a. *Example 1: Retiree is reemployed in a Reemployment-Eligible Position*

1). *Assumptions*

- a). A retiree has been retired since his original date of retirement until the beginning of the first full TRSL fiscal year following the first anniversary of his original retirement. He was then reemployed by a school district as a member of clerical staff and has been reemployed ever since.
- b). His annual pension benefit is \$30,000 a year.
- c). His salary as a member of clerical staff is \$48,000 a year.

2). *Benefits Payable by TRSL under Current Law*

- a). HB 14 is not enacted. The \$30,000 pension benefit of the reemployed retiree was suspended by TRSL when he was reemployed. The annual salary from employment for the reemployed member of clerical staff is \$48,000. His pension benefit is suspended because under current law he is not serving in a Reemployment-Eligible Position. He will receive no pension from TRSL for as long as he is reemployed.
- b). Because he is a retired member, but is not in a Reemployment-Eligible Position under current law, neither the reemployed member of clerical staff nor his employer will make contributions to TRSL and the reemployed member of clerical staff will not accrue any additional retirement benefits.

3). *Benefits Payable by TRSL under HB 14*

- a). HB 14 is enacted. The clerical staff member is now employed in a Reemployment-Eligible Position and continues to earn a salary of \$48,000 a year. The pension benefit from TRSL will be reduced to \$7,500 a year. The remaining \$22,500 of his \$30,000 annual pension will be suspended. He will receive \$7,500 a year from TRSL for as long as he is reemployed. His full pension benefit of \$30,000 a year will resume when he terminates his reemployment (or subsequently retires a second time).

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- b). The reemployed retiree will become a reemployed retiree serving in a Reemployment-Eligible Position under HB 14. Both the reemployed clerk and his employer will contribute to TRSL. Employer contributions to TRSL, based on an annual salary of \$48,000 a year and a 26.5% employer contribution rate, will be \$12,720. The reemployed member of clerical staff will not accrue any additional retirement benefits and, upon subsequent termination of employment, will receive a refund of his own contributions without interest. TRSL will retain the employer's contribution.

4). *Conclusion*

- a). In this example, TRSL's expenditure for pension benefits will increase \$7,500 per year with the enactment of HB 14 (expenditures expected under HB 14 minus expenditures expected under current law).
- b). TRSL revenues attributable to employer contributions will increase \$12,720 (revenues expected under HB 14 minus revenues expected under current law).
- c). TRSL revenues attributable to employee contribution are expected to increase from \$0 under current law to \$3,600 under HB 14. However, TRSL revenues are expected to decrease by the same amount when employee contributions are refunded when the reemployed retiree terminates reemployment.
- d). The actuarial present value of future benefit payments will increase. The increase will be small,
- e). Annual expenditures will increase. This increase will be very small.
- f). Annual revenues will increase. This increase will be very small.
- g). There will be a net increase in annual cash flows into TRSL because the increase in annual revenue will exceed the increase annual expenditures. The annual amount of increase will be negligible.

b. ***Example 2: Retiree is reemployed in a Reemployment-Eligible Critical Shortage Position***

1). *Assumptions*

- a). A retiree has been retired since his original date of retirement until the beginning of the first full TRSL fiscal year following the first anniversary of his original retirement. He has been reemployed by a school district that has a certified shortage of individuals who are qualified as interpreters, educational transliterators, educators of the deaf or hard of hearing, or pre-kindergarten teachers. The retiree was reemployed into one of these designated positions. The reemployed retiree originally retired with a benefit that was not subject to an actuarial reduction.
- b). The retiree was reemployed into a designated position that is was classified as a critical shortage position under current law. However, the designated position will be classified as a critical shortage position under HB 14.
- c). His reemployment salary is \$48,000 a year.
- d). The pension benefit, the retiree would have received, but for the suspension, is \$30,000 a year.

2). *Benefits Payable by TRSL under Current Law*

- a). HB 14 is not enacted. The retiree continues to be reemployed and earn a salary of \$48,000 per year. His pension from TRSL continues to be suspended (because he not currently classified as being reemployed in a critical shortage position). The retiree continues to receive \$0 from TRSL and will continue to receive \$0 for as long as he is reemployed. His \$30,000 pension benefit from TRSL will resume once he terminates reemployment.
- b). Because the retiree is not serving in a position designated as a Reemployment-Eligible Critical Shortage Position under current law, neither the reemployed retiree nor his employer will make contributions to the system, and the reemployed retiree will not accrue additional retirement benefits.

3). *Benefits Payable by TRSL under HB 14*

- a). HB 14 is enacted. The retiree continues to be reemployed and earn a salary of \$48,000 per year. He will also be eligible to receive his \$30,000 annual pension because he will be serving in a position designated as a Retirement-Eligible Critical Shortage Position. He will continue to receive both his pension and his employment income for as long as he is reemployed and the critical shortage is certified annually. The retiree will continue to receive his \$30,000 pension from TRSL when he terminates reemployment. Obviously, his reemployment salary will cease.
- b). Because he is in a Reemployment-Eligible Critical Shortage Position, the reemployed retiree and his employer will make contributions to the system, but the reemployed retiree will not accrue additional retirement benefits. Upon subsequent termination of employment, the reemployed retiree will receive a refund of his contributions without interest. Employer contributions will remain with the TRSL.

4). *Conclusions*

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- a). In this example, TRSL's expenditure for pension benefits will increase \$30,000 a year with the enactment of HB 14 (expenditures expected under HB 14 minus expenditures expected under current law).
- b). TRSL revenues attributable to employer contributions will increase \$12,720 per year (expected revenues under HB 14 minus expected revenues under current law). These contributions will be retained by TRSL when the reemployed retiree terminates his reemployment.
- c). TRSL revenues attributable to employee contributions are expected to increase from \$0 under current law to \$3,600 under HB 14. However, TRSL revenues are expected to decrease by the same amount when employee contributions are refunded upon his termination of reemployment.
- d). The actuarial present value of future benefit payments will increase. The increase will be small, but 4 times larger than the amount of increase shown in Example 1.
- e). Annual revenues will increase. The increase will be very small.
- f). There will be a net increase in annual cash flows out of TRSL because the increase in annual revenues under HB 14 will be less than the increase in annual expenditures. The net increase will be small.

c. *Example 3: Retiree is reemployed and is considered a Reemployment-Eligible Retiree*

1). *Assumptions*

- a). A teacher has been retired since January 1, 2011.
- b). He was reemployed on July 1, 2017 in a position that is not a Reemployment-Eligible Position or a Reemployment-Eligible Critical Shortage Position.
- c). His salary is \$48,000 a year.
- d). His unsuspended pension benefit is \$30,000 a year.

2). *Benefits Payable by TRSL under Current Law*

- a). HB 14 is not enacted. The retiree continues to be reemployed and earn a salary of \$48,000 per year. His pension benefit from TRSL continues to be suspended. The retiree continues to receive \$0 from TRSL for as long as he is reemployed. Thereafter, his pension benefit reverts to \$30,000.
- b). Because he is not considered a Reemployment-Eligible Retiree under current law, neither the reemployed retiree nor his employer will make contributions to the system, and the reemployed retiree will not accrue any additional retirement benefits.

3). *Benefits Payable by TRSL under HB 14*

- a). HB 14 is enacted. The retiree continues to be reemployed and earn a salary of \$48,000 per year. He will also be eligible to receive his \$30,000 annual pension because he has been retired for at least five years. He will continue to receive both his pension and his reemployment income for as long as he is reemployed. Once he terminates reemployment, the retiree's salary will cease, but his \$30,000 pension benefit from TRSL will continue to be paid.
- b). Because he is considered a Reemployment-Eligible Retiree, the reemployed retiree and his employer will make contributions to the system, but the re-employed retiree will not accrue any additional retirement benefits. Upon subsequent termination of employment, the reemployed retiree will receive a refund of his own contributions without interest. Employer contributions will remain with the TRSL.

4). *Conclusions*

- a). TRSL's pension expenditures will increase \$30,000 a year with the enactment of HB 14. TRSL pays a \$30,000 pension benefit under HB 14, but pays \$0 under current law.
- b). TRSL's revenues will increase \$12,720 if HB 12 is enacted. Under current law, TRSL will collect \$0 from the school district. Under HB 14, TRSL will collect \$12,720. This amount will remain with TRSL when the Reemployment-Eligible Retiree terminates his reemployment. Employee contributions under HB 14 (TRSL revenues) will offset refunds of employee contributions (TRSL expenditures).
- c). If HB 14 is enacted, it is possible for a reemployed retiree to pass through several stages of retirement before he terminates his reemployment. Suppose a retiree had been reemployed as a member of clerical staff on July 1, 2015. From July 1, 2015 to June 30, 2018, the retiree's benefit is suspended. He automatically becomes a reemployed retiree serving in a Retirement-Eligible Position on July 1, 2018 due to the enactment of HB 14. His pension benefit from TRSL is partially suspended to not exceed 25% of his original benefit. After two years, on July 1, 2020, the reemployed retiree becomes a Reemployment-Eligible Retiree and his pension benefit is no longer suspended.

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- d). Of the three examples, Example 3 is likely to be the most costly. Under current law, the only retirees who receive an automatic waiver of the suspension of benefit rules are those who retired on or before June 30, 2010. This is an ever diminishing group because no one is joining the group and the number declines over time as retirees die. Changing the rule to apply to retirees, who have been retired for at least five years, continually refreshes the potential supply of teachers eligible to work and be retired at the same time. If HB 14 is enacted, we expect the number in the group will increase for the foreseeable future.

If the supply of teachers increases from the pool of retirees, then it is expected that many will take advantage of the opportunity to be reemployed in some capacity. There are several factors that will keep reemployments from reaching the levels that applied prior to 2009 when a teacher could retire and return to work without penalty the very next day. These factors are:

- (1). Teachers who have been retired five years may be physically unable to teach or perform the functions of the position.
 - (2). Teachers who have been retired five years may be out-of-date professionally and reluctant to resume employment in a field for which they are no longer equipped.
 - (3). The length of time that a retiree can be reemployed is shorter than the time that was available back in 2009. In 2009, retirees could return to employment immediately after retirement. Under HB 14 they will lose 5 year of employment while still in their prime.
- e). In light of the discussion given above relative to Reemployment-Eligible Retirees and in light of the estimated reduction in the actuarial present value of benefits for Act 519 of the 2010 session, we estimate the annual actuarial fiscal cost for this provision of HB 14 will range from \$10 to \$20 million. The primary factor underlying this estimate is our opinion that HB 14 will have some effect on human behavior relative to retirement decisions.

d. Statistical Analysis

HB 14 will have an actuarial cost based on the number and characteristics of reemployed retired interpreters, educational transliterators, educators of the deaf or hard of hearing, pre-kindergarten teachers, and retirees who retired more than five years ago, and were subsequently reemployed. There is an actuarial cost associated with HB 14 because, in our opinion, a significant number of the specified retirees will continue to be reemployed for more than five years and will be allowed to commence their pensions while still reemployed.

e. Words of Caution

Cost values shown for Example 3 are general in nature, attempting to show an order of magnitude. We were unable to develop a more precise conclusion about costs associated with HB 14 because we could not obtain critical information. The following data would have been useful to us.

- 1). The number of positions for interpreters, educational transliterators, or educators of the deaf or hard of hearing, including pre-kindergarten teachers in the state of Louisiana.
- 2). The number of vacant positions for interpreters, educational transliterators, or educators of the deaf or hard of hearing including pre-kindergarten teachers.
- 3). The number of positions for interpreters, educational transliterators, or educators of the deaf or hard of hearing including pre-kindergarten teachers that are being filled by TRSL retirees.
- 4). The number of retired interpreters, educational transliterators, or educators of the deaf or hard of hearing including pre-kindergarten teachers in total, and the number who are between the ages of 60 and 70.
- 5). A spreadsheet showing the number of active interpreters, educational transliterators, or educators of the deaf or hard of hearing, including pre-kindergarten teachers, by age and service, with the total salary being received by those in each cell.
- 6). A spreadsheet showing the number of retired interpreters, educational transliterators, or educators of the deaf or hard of hearing, including pre-kindergarten teachers, by age and working status (either working or not working) along with the total pension benefit being paid by TRSL to interpreters, educational transliterators, or educators of the deaf or hard of hearing, including pre-kindergarten teachers, in each cell.
- 7). The number of teachers who retired between June 30, 2010 and June 30, 2013 and were subsequently rehired.

2. Other Post-Employment Benefits (OPEB)

The actuarial cost or savings of HB 14 associated with OPEB, including retiree health insurance premiums, is expected to be negligible. Our analysis is summarized below.

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

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expected to remain employed until his subsequent second retirement. However, the post-employment benefit decrease is approximately offset by a comparable increase in benefits while the reemployed retiree is in active employment.

The liability for post-retirement medical insurance protection provided to members by school districts 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.

However, 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:

- a. OGB or LSU revenues may increase slightly or decrease slightly as a result of HB 14.
- b. Employer premium expenditures may increase slightly or decrease slightly as a result of HB 14.

3. Other Government Entities

The actuarial cost or savings of HB 14 associated with government entities other than TRSL and its sponsors, is expected to be \$0.

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

Unless indicated otherwise, the actuarial note for HB 14 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 14 that will compromise the signing actuary's ability to present an unbiased statement of actuarial opinion.

II. FISCAL ANALYSIS SECTION

Tables A, B, C, and D have been prepared by the LLA. These tables include information developed by the LLA from its own sources as well as information supplied by Tanesha Morgan of the Legislative Fiscal Office (LFO). Table D includes all costs and savings pertaining to Louisiana government.

The LFO has requested that the information supplied by Tanesha Morgan be included in the actuarial note verbatim and without any changes. This information is shown below under Fiscal Costs Developed by the LFO. The reader should note that complete fiscal cost information is contained within Table D. Fiscal costs developed by the LFO only reflect the portion of Table D that was supplied by the LFO.

Table A pertains to fiscal costs or savings associated with the retirement systems; Table B pertains to OPEB; Table C pertains to fiscal costs associated with government entities other than the retirement systems and sponsors. Table D is the cumulative sum of Tables A, B, and C.

**A. Estimated Fiscal Impact – Retirement Systems
(Prepared by the 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. 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.

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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 in Items 2 and 3 below. A precise cost or savings cannot be determined because the actual cost or savings depends upon the age, service, and salary characteristics of retired interpreters, educational transliterators, educators of the deaf or hard of hearing, and pre-kindergarten teachers, who return to work and upon the ratio of interpreters, educational transliterators, educators of the deaf or hard of hearing, and pre-kindergarten teachers that continue reemployment to those who are induced to retire. It will also depend initially on the age, service, and salary characteristics of the teachers who retired between June 30, 2010 and June 30, 2013, were subsequently rehired, and are or can become Reemployment-Eligible Retirees. Going forward it will depend on the number of retirees who are reemployed after being retired for at least five years. The best estimate that can be provided relative to retirement related fiscal costs or savings, based on the information available to us, is that costs will increase and that the increase in cost will be more than \$100,000 a year.

2. Expenditures:

- a. TRSL expenditures (Agy Self-Generated) will increase under HB 14 because TRSL will distribute more in benefits each year under HB 14 than it will under current law.
- b. TRSL expenditures (Agy Self-Generated) will increase because some members will factor the five year suspension limit into their retirement decision making. As a result, TRSL members will retire earlier than they would have otherwise and receive more pension benefits during their retirement years. As stated earlier, expenditures could increase \$10 to \$20 million a year.
- c. Expenditures from Local Funds will increase under HB 14 because school districts will contribute more per year, on average, to TRSL with the enactment of HB 14 than would have been contributed under current law.
- d. TRSL may incur administrative costs to make minor software modifications to existing computer programs to identify members that are rehired under this measure. These costs are negligible and are anticipated to be absorbed through the agency's existing budget.

3. Revenues:

- a. TRSL revenues (Agy Self-Generated) will increase each year if HB 14 is enacted because school districts will contribute more per year to TRSL under HB 14 than they would have contributed under current law.

**B. Estimated Fiscal Impact – OPEB
(Prepared by the LLA)**

1. Narrative

Table B shows the estimated fiscal impact of HB 14 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.

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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	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible
Annual Total	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible

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 14 will have the following effects on OPEB related fiscal costs and revenues during the five-year measurement period.

2. Expenditures:

- a. Expenditures by local school districts for medical benefits may increase or decrease depending on the employment status of employees and/or retirees and whether retirees pay a larger or smaller percentage of the medical premium. Eventually, however, the reemployed retiree will re-retire and the retirees share of the insurance premium will be the same it would have been had the retiree not returned to work. The state does not maintain sufficient records to enable us to determine how employer costs will be affected in individual school districts. In our opinion, the cost difference between HB 14 and current law will be negligible.

3. Revenue

- a. This bill is not expected to have a fiscal impact on revenue.

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

(Prepared by Tanesha Morgan, Legislative Fiscal Office)

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 14 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	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 14 will have the following effects on fiscal costs and revenues related to other government entities during the five year measurement period.

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2. Expenditures:

- a. There is no anticipated direct material effect on expenditures for governmental entities other than TRSL as a result of this measure. However, there may be implementation costs to make minor software modifications to existing computer programs to identify members that are rehired under this measure. These costs are negligible and are anticipated to be absorbed through TRSL’s existing budget.

3. Revenues:

- a. There is no anticipated direct material effect on revenues for governmental entities other than TRSL 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 14 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	Negligible	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 Received by the LLA from the LFO

1. Narrative

Present law provides that in certain circumstances a retiree may return to work in a "critical shortage area" (defined in present law) without reduction of benefits. Such circumstances include returning as a certified classroom teacher, as a certified speech therapist, speech pathologist, audiologist, educational diagnostician, school social worker, school psychologist, or school counselor. Proposed law adds interpreter, educational transliterator, or educator of the hearing impaired to the list of certified professionals who may return to work in a critical shortage area without reduction of benefits.

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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 14 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 to identify members that are rehired under this measure. 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 14 contains a retirement system benefit provision having an actuarial cost.

Some individual members of TRSL will receive a larger retirement benefit if HB 14 is enacted than would be received without HB 14.

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