



**OFFICE OF LEGISLATIVE AUDITOR
2026 REGULAR SESSION
ACTUARIAL NOTE**

Senate Bill SLS 26RS-99 Enrolled Author: Price LLA Note SB 14.05	Date: May 19, 2026 Organizations Affected: TRSL EN INCREASE APV
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Bill Header: TEACHERS RETIREMENT: Provides relative to the reemployment of retired members of TRSL in positions eligible for TRSL membership and alternative retiree reemployment options.

Purpose of Bill: Proposed law makes material changes to the return-to-work (RTW) statutes applicable to retirees in the Teacher’s Retirement System of Louisiana (TRSL) who retired after June 30, 2010, and are rehired in a TRSL covered position that both expands and simplifies eligibility requirements.

Summary of Impact¹: 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 *actuarial present value of expected future benefits and administrative expenses* incurred by the retirement system. Over the long term, proposed law is expected to increase the *actuarial present value of expected future benefits* 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:	<u>Expenditures</u>	<u>Revenues</u>
The Retirement Systems	Increase	Increase
Local Government Entities	Increase	0
State Government Entities	Increase	0
Total	Increase	Increase

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:	<u>Expenditures</u>	<u>Revenues</u>
Local Government Entities	\$ 0	\$ 0
State Government Entities	0	0
Total	\$ 0	\$ 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)”).

<p>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.</p>	<p>Kenneth J. “Kenny” Herbold, ASA, EA, MAAA Director of Actuarial Services Louisiana Legislative Auditor</p>
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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.

Present law has numerous restrictions related to the ability of someone who retired after June 30, 2010, to continue to receive benefits if they are reemployed in a TRSL-covered position. These restrictions frequently require 1) a 12-month waiting period following retirement; 2) a suspension, or reduction, of benefits depending on the position in which they are reemployed and/or the salary earned during reemployment; and 3) the resumption of employer and employee contributions.

The RTW rules for those who retired prior to July 1, 2010, are reorganized to a new section, but are generally retained. Proposed law makes material changes to the RTW statutes applicable to retirees in TRSL who retired after June 30, 2010, and are rehired in a TRSL covered position, that both expands and simplifies eligibility requirements. The primary provisions of proposed law are as follows:

1. Any retiree who returns to work within the 12-month period immediately following retirement will have their benefit suspended until the earlier of the end of their employment, or 12 months.
2. The following retirees may return to work without a suspension or reduction of their benefit, subject to the 12-month waiting period:
 - a. Age 65 years or older
 - b. Certified in any area and reemployed in a critical shortage position
 - c. Working on a contract or corporate contract basis, unless
 - i. For nonpostsecondary employers, when the services provided could be performed by an employee of a public school district and are classified as instructional programs; pupil support services, instructional staff services, school administration, or food services operations; or
 - ii. For public postsecondary education institutions, when the retiree is reemployed as a professor, adjunct professor, instructor or researcher.
3. Other regular retirees who return to work can earn up to 50% of their final average compensation (FAC) without a suspension or reduction of their benefit, subject to the 12-month waiting period. Benefits will be reduced dollar-for-dollar for earnings in excess of 50% of their FAC.
4. All persons who retired under the disability provisions will be covered under the law specifically applicable to disability retirees and will not be covered under these RTW provisions.
5. Any RTW retiree directly employed (i.e. not on a contract or corporate contract basis) in a full-time position may choose to suspend their benefit during their period of employment and accrue a supplemental benefit.
6. Both employee and employer contributions are required for all RTW retirees. RTW retirees who do not accrue a supplemental benefit will receive a refund of their employee contributions at the end of their reemployment period.
7. Simplifies certain requirements associated with certifying a critical shortage exists but does not make substantive changes to who may qualify under the critical shortage exceptions.

Generally speaking, when retirees are permitted to return-to-work without a suspension of retiree benefit payments, participants are incentivized to retire earlier than they otherwise might, knowing they can immediately (or shortly thereafter) return to work and receive both their retirement benefits and active employment pay. Although a member's benefit may be slightly smaller when they retire earlier than otherwise assumed, that benefit is paid over a longer period of time and must be funded over a shorter period of time, which increases both total liability and employer contributions.

Proposed law expands and simplifies the eligibility requirements for returning to work without a suspension or reduction of benefits. This will not immediately increase the actuarial present value of expected future benefits (PVFB), but over the long-term we can expect to see retirement patterns shift earlier than currently assumed, which will increase PVFB and shorten the time over which those benefits will be funded, putting upward pressure on employer contributions.

Proposed law also requires that TRSL and the Legislative Auditor report any identifiable actuarial impact following TRSL's experience study ending in FY 2032 to the appropriate legislative committees at least 120 days prior to the commencement of the 2034 Regular session for consideration of legislative action.

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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	<u>2026-27</u>	<u>2027-28</u>	<u>2028-29</u>	<u>2029-30</u>	<u>2030-31</u>	<u>5-Year Total</u>
State General Fund	\$ 0	Increase	Increase	Increase	Increase	Increase
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	<u>2026-27</u>	<u>2027-28</u>	<u>2028-29</u>	<u>2029-30</u>	<u>2030-31</u>	<u>5-Year Total</u>
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

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 expenditures (Agy Self-Generated) will increase because TRSL is likely to distribute more in benefits than it will under current law.
- b. Administrative costs to make modifications to existing computer programs and update publications and educational/training materials would be minimal and can be absorbed within TRSL's existing budget.
- c. Employer contributions (State General Fund and Local Funds) would not immediately be impacted, but the increase in expected benefit payments would ultimately result in actuarial losses (more members retiring and receiving benefits than otherwise expected) that would be reflected as an increase in employer contributions beginning with FY 2028-29 contributions. As retirement patterns shift, these will be reflected in actuarial assumptions, also increasing employer contributions.

2. Revenues:

Changes in retirement contributions identified as expenditures have corresponding changes in Agy Self-Generated revenues.

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.

From time to time, legislation is proposed that has an indirect effect on administrative expenditures and revenues associated with local government entities (other than the impact included in Section II).

The proposed legislation is not expected to have any material effects on fiscal administrative costs and revenues related to local government entities during the five-year measurement period, other than those outlined above. However, the expansion and simplification of the eligibility rules, as well as the critical shortage certification requirements could decrease the total administrative costs associated with general hiring activities and reemploying retirees.

**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.

Other than the impact on employer contribution rates which is already reflected in Section II above, there is no anticipated direct material effect on governmental expenditures and revenues as a result of this measure.

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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 presented herein, we may have utilized commercially available valuation software. 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

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.

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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, or their beneficiary, 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 2026 Regular Session.

Senate

- 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
- 13.5.2 Applies to Senate or House Instruments
If an annual tax or fee change \geq \$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 \geq \$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 \geq \$500,000, then bill is dual referred to:
Dual Referral: Ways and Means