


**2019 REGULAR SESSION
ACTUARIAL NOTE SB 14**

<p>Senate Bill 14 SLS 19RS-38 Original</p> <p>Author: Senator Peacock Date: March 8, 2019 LLA Note SB 14. 01</p> <p>Organizations Affected: All State and Statewide Retirement Systems</p> <p>OR NO IMPACT 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> <p style="text-align: center;"></p> <p>James J. Rizzo, ASA, MAAA Senior Consultant & Actuary Gabriel, Roeder, Smith & Company, Actuary for the Legislative Auditor</p>
--	---

Bill Header: RETIREMENT SYSTEMS: Provides for term limits for retirement system boards of trustees. (6/30/19)

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 provides for governance of state and statewide retirement systems, including the membership and methods for attaining membership on the boards of trustees.

Current law also provides for the authority and duties, including educational requirements, of the members of the boards of trustees.

Proposed Law

SB 14 provides for a limitation of 12 consecutive years as a member of a board of trustees for a state or statewide retirement system. If a person is elected to serve as a member of a board of trustees for a state or statewide retirement system for a term that would allow the person to serve more than 12 consecutive years as a member, that person would not be allowed to serve that term.

Implications of the Proposed Changes

SB 14 will limit to 12 the number of consecutive years that a person can serve as a member of a board of trustees for a state or statewide retirement system. It would have no effects on the systems that already provide for a more restrictive limitation on the number of consecutive years a person can serve as a member of a board of trustees.

**2019 REGULAR SESSION
ACTUARIAL NOTE SB 14**

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.

Limiting the number of years that a person can be a member of a board of trustees for a state or statewide retirement system does not affect the benefits payable to the members. The additional administrative expenses are negligible compared to all funds' expenditures and considered zero.

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.

The liability for post-retirement medical insurance protection provided to retirees is not affected by limiting the number of years that a person can be a member of a board of trustees for a state or statewide retirement system.

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

A detailed review of the actuarial data, methods or assumptions applicable to this retirement system was not made or required for the preparation of this Actuarial Note. To judge materiality, the approximated retirement systems' total expenditures (\$4.7 billion) were obtained from the most recent actuarial valuation reports for all thirteen systems.

**C. Actuarial Caveat
(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. FISCAL ANALYSIS SECTION

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 SB 14 on fiscal costs, fiscal savings, or cash flows is presented in Table D.

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

1. Narrative

Table A shows the estimated fiscal impact of the proposed legislation on the retirement systems and the government entities that sponsor them. 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.

**2019 REGULAR SESSION
ACTUARIAL NOTE SB 14**

Retirement System Fiscal Cost: Table A

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 retirement related fiscal costs and revenues during the five year measurement period.

2. Expenditures:

Individual statewide retirement systems may incur administrative costs related to the provisions of the proposed law; however, such costs are expected to have a negligible effect on an individual system’s expenditures.

Individual state retirement systems also may incur administrative costs related to the provisions of the proposed law; these, too, are expected to have a negligible effect on an individual system’s expenditure.

For example, according to information obtained from the Legislative Fiscal Office (refer to section E):

“This measure is anticipated to increase the expenses of the School Employees’ Retirement System (LSERS) in the FY 20 year by approximately \$7,013 associated with election costs. There are no anticipated costs to Louisiana State Employees’ Retirement System, Teachers’ Retirement System of Louisiana, and Louisiana State Police Retirement System result of this measure. These systems follow a schedule of elections for members whose 4-5 year term has ended. No elected members on these boards have reached the proposed maximum term limit.

Additional election expenditures, across all thirteen state and statewide retirements are negligible; during the year ending June 30, 2018 all thirteen retirement systems had expenditures of approximately \$4.7 billion.

3. Revenues:

No measurable effects.

**B. Estimated Fiscal Impact – OPEB
(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.

**2019 REGULAR SESSION
ACTUARIAL NOTE SB 14**

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. Estimated Fiscal Impact: Other Government Entities (other than the retirement systems or OPEB)
(Prepared by Tanesha Morgan, Legislative Fiscal Office, and Bradley Cryer, Director of Local Government Services, LLA)**

1. Narrative

Proposed law provides that a person elected to serve as a member of a board of trustees for a state or statewide retirement system shall serve no longer than twelve consecutive years.

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 legislation 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 other governmental expenditures as a result of this measure.

**2019 REGULAR SESSION
ACTUARIAL NOTE SB 14**

3. Revenues:

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

**D. Estimated Fiscal Impact – All Retirement Systems, OPEB, and All Government Entities
(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	\$ 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

**E. Fiscal Costs Received by the LLA from the LFO
(Prepared by Tanesha Morgan, Legislative Fiscal Office)**

1. Narrative

Proposed law provides that a person elected to serve as a member of a board of trustees for a state or statewide retirement system shall serve no longer than twelve consecutive years.

Fiscal Costs for Other Government Entities

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	7,013	0	0	0	0	7,013
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	\$ 7,013	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,013

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

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

3. Expenditures:

This measure is anticipated to increase the expenses of the School Employees’ Retirement System (LSERS) in FY 20 by approximately \$7,013 associated with election costs. Currently, there are three members on the LSERS board that have served at least 12 consecutive years, which is the proposed maximum term limit. If this bill becomes effective on June 30,

**2019 REGULAR SESSION
ACTUARIAL NOTE SB 14**

2019 and considers consecutive years of service retrospectively, it is anticipated that LSERS would immediately hold an election to replace these three members. The average cost of the past 3 elections was \$7,013.

There are no anticipated costs to Louisiana State Employees' Retirement System, Teachers' Retirement System of Louisiana, and Louisiana State Police Retirement System result of this measure. These systems follow a schedule of elections for members whose 4-5 year term has ended. No elected members on these boards have reached the proposed maximum term limit.

4. Revenues:

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

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

SB 14 contains a retirement system benefit provision having an actuarial cost.

No member of any of the systems will receive a larger benefit with the enactment of SB 14 than what he would have received without SB 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 2019 regular session.

<u>Senate</u>	<u>House</u>
<input type="checkbox"/> 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	<input type="checkbox"/> 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
<input type="checkbox"/> 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	<input type="checkbox"/> 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