OFFICE OF LEGISLATIVE AUDITOR
2022 REGULAR SESSION
ACTUARIAL NOTE

House Bill 20 HLS 22RS-239	**Date: April 21, 2022**
Engrossed	**Organizations Affected: DARS**
Author: Illg	
LLA Note HB 20.02	**EG +$2,000 FC SG EX**

<u>Bill Header:</u> RETIREMENT/DISTRICT ATTY: Provides relative to the District Attorneys' Retirement System board of trustees and the reemployment of system retirees.

<u>Purpose of Bill:</u>
This bill:
1) Modifies the exception from the required suspension of benefits for reemployed retirees of the District Attorneys' Retirement System (DARS) by codifying existing interpretation of which system retirees it applies, adds a 60-day break-in-service requirement, and lowers the applicable salary limit for retirees under the working retirement age established in federal law (currently 59 ½);
2) Increases the number of retired board members from 1 to 2 (for a total of 10 board members), requiring one to be a retired District Attorney and the other to be a retired Assistant District Attorney; and
3) Resolves a conflict in existing statute regarding the allowable per diem for board members.

<u>Cost Summary[1]:</u> The estimated net actuarial and fiscal impact of the proposed legislation is summarized below. An increase in actuarial present values (actuarial impact) and an increase in expenditures or revenues (fiscal impact) is denoted by "Increase" or a positive number. A decrease in actuarial present values (actuarial impact) or a decrease in expenditures or revenues (fiscal impact) are denoted by "Decrease" or a negative number.

In the following table, "Net Actuarial Present Values" pertain to estimated changes in the ***net actuarial present value of future benefit payments and administrative expenses incurred by a retirement system or associated with an OPEB plan***. A more detailed explanation of the information presented in this table can be found in Section I: <u>Actuarial Impact on Retirement Systems and OPEB</u>.

Change in Net Actuarial Present Values Pertaining to:	
The Retirement Systems	$ 0
Other Post-employment Benefits (OPEB)	0
Total	**$ 0**

"Net Fiscal Costs" 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 local and state government entities.

In the following table, expenditures and revenues only include cash flows to or from the affected retirement system or OPEB plan, (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 of the information presented in this table can be found in Section II: <u>Fiscal Impact on Retirement Systems and OPEB</u>.

Five Year Net Fiscal Costs Pertaining to:	**<u>Expenditures</u>**	**<u>Revenues</u>**
The Retirement Systems	$ 10,000	$ 8,000
Other Post-employment Benefits (OPEB)	0	0
Local Government Entities	0	0
State Government Entities	8,000	0
Total	**$ 18,000**	**$ 8,000**

From time to time, retirement legislation is proposed that affects administrative expenditures and revenues for state and local government entities associated with implementing the proposed legislation (other than contribution changes included in the above table). This information, provided by the LLA Local Government Services or the Legislative Fiscal Office, is summarized in the following table. A more detailed explanation of the information presented in this table can be found in Sections III: <u>Fiscal Impact on Local Government Entities</u> and Section IV: <u>Fiscal Impact on State Government Entities</u>.

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 relating the 2/3 vote (refer to the section near the end of this Actuarial Note "**<u>Information Pertaining to La. Const. Art. X, §29(F)</u>**").

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**

2022 REGULAR SESSION
ACTUARIAL NOTE HB 20

I. ACTUARIAL IMPACT ON RETIREMENT SYSTEMS AND OPEB

This section of the actuarial note pertains to changes in the net actuarial present value of expected future benefit payments and administrative expenses incurred by the retirement systems or associated with an OPEB plan.

1. Retirement Systems

The net change in actuarial present value of expected future benefits and administrative expenses incurred by the retirement systems from the proposed legislation is estimated to be $0.

Current law requires the suspension of benefit payments when a retiree is reemployed except when that retiree is "any district attorney or assistant district attorney" who retired under the 24 and 55 retirement rule or the 30 and any age retirement rule in the "New Plan" who is paid a salary of less than the annual salary provided for in R.S. 16:11(A)(1), which is currently set at $50,000. The bill replaces the phrase "any district attorney or assistant district attorney" with "a retiree," which on the surface appears to be expanding the exclusion but is codifying existing board interpretation. It also adds a 60-day break-in-service requirement, and limits the maximum salary allowable for this exception for any retiree who is under the working retirement age established in federal law (currently 59 ½).

The changes might slightly reduce the net actuarial present value of expected benefit payments. However, the anticipated impact is sufficiently small to be considered $0.

2. Other Post-employment Benefits (OPEB)

The net change in actuarial present value of expected future benefits and administrative expenses associated with OPEB, including retiree health insurance premiums, from the proposed legislation is estimated to be $0.

The liability and expenses for post-retirement medical insurance are not impacted by any provisions of this bill.

II. FISCAL IMPACT ON RETIREMENT SYSTEMS AND OPEB

This section of the actuarial note pertains to fiscal (annual) costs or savings associated with the retirement systems (Table A) and with OPEB (Table B). Fiscal costs or savings only include cash flows to or from the affected retirement system or OPEB plan, (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. Estimated Fiscal Impact – Retirement Systems

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.

Table A: Retirement System Fiscal Cost

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 Year Total
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Agy Self Generated	2,000	2,000	2,000	2,000	2,000	10,000
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	2,000	2,000	2,000	2,000	8,000
Annual Total	$ 2,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 18,000

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 Year Total
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Agy Self Generated	0	2,000	2,000	2,000	2,000	8,000
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	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 8,000

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

1. Expenditures:

   a. Administrative expenses are expected to increase by approximately $2,000 per year to account for the increased per diem and travel costs of a new board member.
   b. Employer contributions are expected to increase in a corresponding amount to the anticipated administrative expenses because expected administrative expenses are included as part of the minimum required employer contribution. The changes in employer contributions are reflected in the Local Funds expenditures line above. The actual sources of funding may vary by employer and are not differentiated in the table.

3. Revenues:

Changes in retirement contributions outlined above as changes in Local Fund expenditures have corresponding changes in Agy Self Generated revenues.

B. <u>Estimated Fiscal Impact – OPEB</u>

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.

Table B: OPEB Fiscal Cost

EXPENDITURES	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**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	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**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.

1. Expenditures:

   No measurable effects.

2. Revenues:

   No measurable effects.

III. <u>FISCAL IMPACT ON LOCAL GOVERNMENT ENTITIES</u>
(Prepared by LLA Local Government Services)

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 Tables A and B. See Table C.

<u>Estimated Fiscal Impact - Local Government Entities (other than the impact included in Tables A and B)</u>

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 Tables A and B). Table C shows the estimated fiscal administrative cost impact of the proposed legislation on such local 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 C: Fiscal Costs for Local Government Entities

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	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	2022-23	2023-24	2024-25	2025-26	2026-27	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 administrative costs and revenues related to local government entities during the five-year measurement period.

1. Expenditures:

   No measurable effects.

2. Revenues:

   No measurable effects.

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

This section of the actuarial note pertains to annual fiscal cost (savings) related to administrative expenditures and revenue impacts incurred by state government entities other than those included in Tables A and B. See Table D.

Estimated Fiscal Impact − State Government Entities (other than the impact included in Tables A and B)

N/A - This bill only impacts local government, and therefore, has no state impact. The LFO does not review local government bills.

Table D: Fiscal Costs for State Government Entities

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	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	2022-23	2023-24	2024-25	2025-26	2026-27	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

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

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. 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.

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 Article La. Const. Art. X, §29(F)

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

No member of the District Attorney's Retirement System would 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 Tables A, B, C, and D for the first three years following the 2022 regular session.

Senate			**House**		
☐	13.5.1	Applies to Senate or House Instruments. If an annual fiscal cost ≥ $100,000, then bill is dual referred to: **Dual Referral: Senate Finance**	☐	6.8F	Applies to Senate or House Instruments. If an annual General Fund fiscal cost ≥ $100,000, then the bill is dual referred to: **Dual Referral to Appropriations**
☐	13.5.2	Applies to Senate or House Instruments. If an annual tax or fee change ≥ $500,000, then the bill is dual referred to: **Dual Referral: Revenue and Fiscal Affairs**	☐	6.8G	Applies to Senate Instruments only. If a net fee decrease occurs or if an increase in annual fees and taxes ≥ $500,000, then the bill is dual referred to: **Dual Referral: Ways and Means**