



**OFFICE OF LEGISLATIVE AUDITOR  
2024 REGULAR SESSION  
ACTUARIAL NOTE**

<b>Senate Bill 415 SLS 24RS-519</b> <b>Engrossed</b> <b>Author: Price</b> <b>LLA Note SB 415.02</b>	<b>Date: April 4, 2024</b> <b>Organizations Affected: LSPRF</b>  <b>EG SEE ACTUARIAL NOTE APV</b>
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**Bill Header:** SHERIFFS PEN/RELIEF FUND: Provides for reemployment of retirees of the Louisiana Sheriffs' Pension and Relief Fund.

**Purpose of Bill:** Proposed law temporarily increases the maximum earnings a member who retired prior to January 1, 2024 may earn in a covered part-time position before becoming subject to a suspension of their retirement benefits.

**I. ACTUARIAL IMPACT ON RETIREMENT SYSTEMS<sup>1</sup>**

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 permits retirees to work in a covered part-time position without a suspension of benefits as long as their earnings do not exceed 50% of their final average compensation during the first 24 months of employment following retirement and 55% thereafter. Proposed law increases these percentages to 60% and 65% respectively for the period July 1, 2024 through June 30, 2028 for members who retired prior to January 1, 2024.

Generally speaking, permitting retirees to return-to-work and receive both their retirement benefit and employment compensation incentivizes members to retire earlier than they otherwise might. However, proposed law limits the overall impact by both limiting it to only those who have already retired and limiting the period during which this can be utilized. This, coupled with the fact the increase in permissible earnings is relatively small, it is unlikely proposed law will have a significant impact on general participant behavior. Nevertheless, proposed law clearly provides an opportunity for some members to receive benefits they would not be eligible to receive under current law, which necessarily comes at a cost to the retirement system. Therefore, while there is likely to be some increase in additional benefits paid that would not occur under present law the total increase is likely to be relatively small.

**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**

<b>Expenditures</b>	<b><u>2024-25</u></b>	<b><u>2025-26</u></b>	<b><u>2026-27</u></b>	<b><u>2027-28</u></b>	<b><u>2028-29</u></b>	<b><u>5-Year Total</u></b>
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self-Generated	See Below	See Below	See Below	See Below	0	See Below
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	See Below	See Below	See Below	See Below	0	See Below
<b>Annual Total</b>	<b>See Below</b>	<b>See Below</b>	<b>See Below</b>	<b>See Below</b>	<b>\$ 0</b>	<b>See Below</b>

<b>Revenues</b>	<b><u>2024-25</u></b>	<b><u>2025-26</u></b>	<b><u>2026-27</u></b>	<b><u>2027-28</u></b>	<b><u>2028-29</u></b>	<b><u>5-Year Total</u></b>
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self-Generated	See Below	See Below	See Below	See Below	0	See Below
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
<b>Annual Total</b>	<b>See Below</b>	<b>See Below</b>	<b>See Below</b>	<b>See Below</b>	<b>\$ 0</b>	<b>See Below</b>

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.

Proposed law provides an opportunity for some members to receive benefits they would not be eligible to receive under current law. It is not possible to determine how these individuals might have behaved absent a change in law. The following are three potential scenarios and the impact on expenditures and revenues:

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

<p><b>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.</b></p>	<p><b>Kenneth J. "Kenny" Herbold, ASA, EA, MAAA</b>  <b>Director of Actuarial Services</b>  <b>Louisiana Legislative Auditor</b></p>
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- 1) If a member would have otherwise suspended their retirement benefits in favor of additional employment compensation under current law, proposed law results in an increase in Agy Self-Generated and Local Funds expenditures and an increase in Agy Self-Generated revenues.
- 2) If a member would have a) otherwise maintained their current employment compensation via a reduction in hours or a lack of a raise or b) elected to fully retire, proposed law results in no change to expenditures or revenues.

**III. FISCAL IMPACT ON LOCAL GOVERNMENT ENTITIES  
(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 Table A.

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

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

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

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

**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.

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**VI. LEGISLATIVE PROCEDURAL ITEMS**

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

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

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

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

The information presented below is based on information contained in Sections II, III, and IV for the first three years following the 2024 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**