



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

House Bill 316 HLS 24RS-715
Reengrossed w/SCA #3124
Author: Larvadain
LLA Note HB 316.01

Date: June 2, 2024
Organizations Affected: Gaming Control Board & LASERS
RE1 +87,533 FC SG RV

Bill Header: GAMING: Provides relative to deadlines for financial disclosures required of members and certain employees of the Gaming Control Board and of the gaming enforcement division.

Purpose of Bill: This bill 1) changes the filing deadline for certain disclosures members and certain employees of the Gaming Control Board must file with the Board of Ethics from prior to confirmation to no later than fifteen days after confirmation; 2) provides the chairman of the Gaming Control Board shall receive the same compensation (present law), expenses, benefits, and emoluments as a judge of the courts of appeal of this state, including any supplemental pay and eligibility for membership in the Louisiana State Employees' Retirement System (LASERS) (proposed law); and 3) provides clarifying language regarding who must receive human trafficking awareness and prevention training.

Cost Summary¹: The estimated net actuarial and fiscal impact of the proposed legislation is summarized below.

The expected change in the *net actuarial present value of expected future benefits and administrative expenses incurred by the retirement systems* from the proposed law is estimated to increase. 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	\$ 0	\$ 437,665
Local Government Entities	0	0
State Government Entities	340,225	0
Total	\$ 340,225	\$ 437,665

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	See Section IV	0
Total	See Section IV	\$ 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)").

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

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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.

Proposed law adds the chairman of the Gaming Control Board as a position eligible for participation in LASERS with the same benefits as a judge of the courts of appeal. Given this position has not historically been eligible for participation in LASERS, expected future benefits will necessarily increase. However, because the current chairman is expected to retire prior to the effective date of the bill, there is not expected to be a change in the unfunded actuarial accrued liability as a result of proposed law. If the current chairman does not retire, and becomes eligible to receive LASERS benefits for service prior to the effective date of the bill, this analysis would change and an unfunded accrued liability could be expected to accrue.

Both employee and employer contributions are expected to increase. The amount will depend on the individual who becomes chairman and their original LASERS eligibility date. For FY 2024-25, the employer contribution will range from 38.31% for someone first eligible to participate in LASERS on or after January 1, 2011 to 40.17% of pay for someone first eligible prior to January 1, 2011. The employee contribution will range from 11.50% for someone first eligible prior to January 1, 2011 to 13.00% for someone first eligible on or after January 1, 2011.

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	2024-25	2025-26	2026-27	2027-28	2028-29	5-Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self-Generated	68,051	68,051	68,051	68,051	68,051	340,255
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	\$ 68,051	\$ 340,255				

Revenues	2024-25	2025-26	2026-27	2027-28	2028-29	5-Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self-Generated	87,533	87,533	87,533	87,533	87,533	437,665
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	\$ 87,533	\$ 437,665				

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:

Employer contributions (Agy Self-Generated expenditures) will increase to reflect the required contribution to LASERS. Per the Gaming Control Board, the FY 2023-24 annual salary for a judge of the court of appeals, other than the chief justice, was \$169,407.32. Assuming no increases in compensation during the measurement period and based on the LASERS required contributions for judges as reported in the June 30, 2023 valuation for FY 2024-25, actual employer contributions would be \$68,051 (40.17% of pay) for those first eligible to participate prior to January 1, 2011 or \$64,900 (38.31% of pay) for someone first eligible to participate on or after January 1, 2011.

2. Revenues:

Agy Self-Generated revenue will increase to reflect both employee and employer contributions. Based on the same information as above, the total employee and employer contributions would be \$87,533 (51.67% of pay) for someone first eligible prior to January 1, 2011 or \$86,923 (51.31% of pay) for those first eligible on or after January 1, 2011.

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.

N/A – This bill only impacts state government, and therefore, has no local government impact. The Local Government Services section of the LLA does not review state government bills.

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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.

The Gaming Control Board may experience a marginal increase in workload as a result of ensuring that each owner, officer, director, manager, security guard of a licensee, and any employee as determined by the board is certified as having participated in and completed human trafficking awareness and prevention training annually. The LFO presumes that the board can absorb the workload with existing staff and resources.

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 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 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