


**2015 REGULAR SESSION  
ACTUARIAL NOTE SB 20**

<p>Senate Bill 20 SLS 15RS-126 Original</p> <p>Author: Senator Gerald Long Date: April 15, 2015</p> <p>LLA Note SB 20.01</p> <p>Organizations Affected: Teachers' Retirement System of Louisiana</p> <p>OR +\$322,581 APV</p>	<p>This Note has been prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of this Note to SB 20 provides compliance with the requirements of R.S. 24:521</p> <div style="text-align: center;">   <b>Paul T. Richmond, ASA, MAAA, EA</b>  <b>Manager Actuarial Services</b> </div>
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**Bill Header:** TEACHERS RETIREMENT. Allows certain retirees to collect benefits during reemployment. (2/3 – CA10s29(F)) (6/30/15)

**Cost Summary:**

The estimated actuarial and fiscal impact of the proposed legislation is summarized below. Actuarial costs pertain to changes in the *actuarial present value of future benefit payments*. A cost is denoted by “Increase” or a positive number. Savings are denoted by “Decrease” or a negative number.

Actuarial Cost/(Savings) to Retirement Systems and OGB	\$322,581
Total Five Year Fiscal Cost	
Expenditures	Increase
Revenues	Increase

**Estimated Actuarial Impact:**

The chart below shows the estimated change in the *actuarial present value of future benefit payments*, if any, attributable to the proposed legislation. A cost is denoted by “Increase” or a positive number. Savings are denoted by “Decrease” or a negative number. Present value costs associated with administration or other fiscal concerns are not included in these values.

<b><u>Actuarial Cost (Savings) to:</u></b>	<b><u>Increase (Decrease) in The Actuarial Present Value</u></b>
All Louisiana Public Retirement Systems	\$322,581
Other Post Retirement Benefits	See Actuarial Cost Analysis
Total	See Actuarial Cost Analysis

This bill complies with the Louisiana Constitution which requires unfunded liabilities created by an improvement in benefits to be amortized over a period not to exceed ten years.

**Estimated Fiscal Impact:**

The chart below shows the estimated fiscal impact of the proposed legislation. This represents the effect on cash flows for government entities including the retirement systems and the Office of Group Benefits. Fiscal costs include estimated administrative costs and costs associated with other fiscal concerns. A fiscal cost is denoted by “Increase” or a positive number. Fiscal savings are denoted by “Decrease” or a negative number.

<b>EXPENDITURES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>5 Year Total</b>
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	38,822	25,000	25,000	25,000	25,000	138,822
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	\$ 38,822	Increase	Increase	Increase	Increase	Increase

<b>REVENUES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>5 Year Total</b>
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

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**Bill Information:**

**Current Law**

As a general rule under current law, the pension benefit of any retired member of the Teachers' Retirement System of Louisiana (TRSL) who is re-employed in a position covered by TRSL membership is suspended while the retiree is re-employed. Current law provides exceptions to this rule. The following exceptions are made relevant to SB 20:

1. A retired member who returns to employment as a full-time certified speech therapist, speech pathologist, or audiologist in a school district (K-12) that has a critical shortage of such professionals. There is no limit on re-employment earnings for such a re-employed retiree.
2. A retired member (K-12 or Higher Education) who retired on or after May 1, 2009 and on or before June 30, 2010. No critical shortage is necessary. Re-employment earnings are limited to 25% of the reemployed retirees annual pension benefit.

**Proposed Law**

SB 20 makes the following changes:

1. A retired member who returns to employment as a full-time certified speech therapist, speech pathologist, *school counselors*, or audiologist in a school district (K-12) that has a critical shortage of such professionals. There is no limit on re-employment earnings for such a re-employed retiree.
2. A retired member (K-12 or Higher Education) who retired on or before June 30, 2010. No critical shortage is necessary. Re-employment earnings are limited to 25% of the reemployed retirees annual pension benefit.

**Implications of the Proposed Changes**

The number of retired members of TRSL eligible to be re-employed in specialized roles without a suspension of benefits will be significantly expanded to about 34,000 individuals.

**Cost Analysis:**

**Analysis of Actuarial Costs**

**Retirement Systems**

The number of members who will be induced to retire earlier than they would have otherwise as a result of SB 20 cannot be predicted with any degree of certainty. However, if one member retires each year a full year earlier than he would have otherwise, the annual retiree payroll for TRSL will increase \$25,000. This is based on the following information:

1. One teacher is induced to retire one year earlier than he would have otherwise.
2. The average annual pension for the teacher induced to retire early is \$25,000.

Therefore, the estimated annual cost per teacher induced to retire one year earlier is \$25,000.

Under SB 20, school counselors in a school district with a critical shortage is the only category that has been added to exception list with a potential for being induced to retire earlier than they would otherwise. It is likely that only a very small number of school counselors will be affected by this new exception. Therefore, for each counselor induced to retire one year earlier than otherwise, the cost is estimated to be \$25,000 a year. The present value of the actuarial cost is estimated to be \$322,581.

There are a large number of retirees who retired before June 30, 2010. Schools will be able to re-employ these retirees, but since they are already retired, they cannot be induced to retire. Therefore, there is no actuarial cost relevant to early retirement associated with this provision of SB 20.

**Other Post Retirement Benefits**

The liability for post-retirement medical insurance protection provided to retirees by the Office of Group Benefits or other insurers remains the same regardless of the employment status of a retiree. The liability is based on the present value of estimated claims and estimated claims will not change just because the member's status has changed from employee to retiree. However, depending on OGB rules or rules of other insurers providing health insurance coverage to TRSL members, the allocation of premiums between the employee and the employer may change as an employee moves from an active status to a retired status. Therefore:

1. OGB revenues or other insurance carriers may increase or decrease as a result of SB 20.
2. Employer premium expenditures may increase or decrease as a result of SB 20.

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**Analysis of Fiscal Costs**

SB 20 will have the following effect on fiscal costs over the next 5 years.

**Expenditures:**

1. Expenditures from TRSL (Agy Self-Generated) will increase \$25,000 a year per teacher induced to retire in order to pay benefits that would not have otherwise been paid.
2. Expenditures from Local Funds will increase to the extent that school counselors are induced to retire earlier than they would have otherwise. Unanticipated TRSL expenditures will lead to higher employer contribution requirements.

**Revenues:**

- TRSL revenues (Agy Self-Generated) will increase to the extent that employer contributions must be larger to accommodate the estimated increase in annual benefit costs.

TRSL reports that a one-time implementation cost of \$13,882 will be incurred in 2015-16 to inform employers and retirees about adding school counselor to the list of critical shortage positions and the expansion of the grandfathered group. Additionally, TRSL would need to update the communication material to include the changes proposed in SB 20 as well as make minor modification to existing computer programs.

It is anticipated that the annual fiscal cost of SB 20 over the three fiscal years immediately following the enactment of SB 20 will be less than \$100,000.

**Actuarial Data, Methods and Assumptions**

This actuarial note was prepared using actuarial data, methods, and assumptions as disclosed in the most recent actuarial valuation report approved by PRSAC.

**Actuarial Caveat**

There is nothing in SB 20 that will compromise the signing actuary's ability to present an unbiased statement of actuarial opinion.

**Actuarial Credentials:**

Paul T. Richmond is the actuary for the Louisiana Legislative Auditor. He is an Enrolled Actuary, a member of the American Academy of Actuaries, a member 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.

**Dual Referral:**

**Senate**

- 13.5.1: Annual Fiscal Cost  $\geq$  \$100,000
- 13.5.2: Annual Tax or Fee Change  $\geq$  \$500,000

**House**

- 6.8(F)(1): Annual State Fiscal Cost  $\geq$  \$100,000
- 6.8(F)(2): Annual State Revenue Reduction  $\geq$  \$500,000
- 6.8(G): Annual Tax or Fee Change  $\geq$  \$500,000