


**2019 REGULAR SESSION  
ACTUARIAL NOTE SB 10**

<p>Senate Bill 10 SLS 19RS-102 Enrolled</p> <p>Author: Senators White and Peacock Date: May 29, 2019 LLA Note SB 10. 04</p> <p>Organizations Affected: Sheriffs' Pension and Relief Fund</p> <p>EN DECREASE 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 &amp; Actuary Gabriel, Roeder, Smith &amp; Company, Actuary for the Legislative Auditor</p>
---	---

**Bill Header:** SHERIFFS PEN/RELIEF FUND. Provides relative to permanent benefit increases. (2/3-CA 10s29(F))(6/30/2019)

**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). *Note: Some members of the Sheriffs' Pension and Relief Fund may receive a larger benefit with the enactment of SB 10 than what they would have received without SB 10, as described in the Actuarial Analysis Section below. However, there are other decreasing factors in the proposed law that offset this increasing factor, resulting in a net actuarial cost decrease.*

Net Actuarial Costs (Liabilities) Pertaining to:		Net Actuarial Cost
The Retirement Systems		Decrease
Other Post-employment Benefits (OPEB)		0
Total		Decrease
Five Year Net Fiscal Cost Pertaining to:	Expenditures	Revenues
The Retirement Systems	Decrease	Decrease
Other Post-employment Benefits	0	0
Other Government Entities	0	0
Total	Decrease	Decrease

**Bill Information**

**Current Law**

Current law for cost-of-living adjustments (also known as permanent benefit increases) is complex. There are few broad types of permanent benefit increases (PBIs) authorized in Louisiana statutes applicable to the Sheriffs' Pension and Relief Fund (SPRF). The PBIs for SPRF members are subject to different member eligibility rules, different sources of financing, different conditions for payment, and different dollar and percent benefit increase levels.

"2178 PBIs" (either Gain-sharing or FDA)

Current law [R.S. 11:2178(K)] authorizes the SPRF board of trustees to grant permanent benefit increases ("2178 PBIs") to retirees, disability recipients, and survivors who meet a waiting period requirement using: (a) "excess" investment earnings (a "Gain-sharing 2178 PBI") to finance the PBI or (b) the balance in the funding deposit account (an "FDA 2178 PBI"). "Gain-sharing PBIs" get their name from the notion that the higher-than-usual investment gains are thought to be a source of financing that can be shared with retirees. The funding deposit account is a notional account holding actual contributions made in excess of the minimum required contribution. It serves as a surplus credit balance that may be applied to various purposes, one of which is the financing of a "2178 PBI".

A "2178 PBI" using either source of financing is to be no less than 2% (a percent floor) and no more than 3% (a percent cap) of the normal monthly benefit payable on the date the increase is granted, but not less than \$20 per month (a dollar floor) [R.S. 11:2178(K)(1)(a)]. Furthermore, neither type of "2178 PBI" may be granted if another "2178 PBI" was granted from either source of funds in the immediately preceding fiscal year [R.S. 11:2178(K)(1)(b)]. Generally speaking, this means "2178 PBIs" may not be granted in consecutive fiscal years, i.e., at most, every other year (the Every-other-year Rule").

**2019 REGULAR SESSION  
ACTUARIAL NOTE SB 10**

Furthermore, there is an age 60 requirement or a waiting period to become eligible for both types of “2178 PBIs” [R.S. 11:2178(K)(1)(c)].

A “2178 PBI” authorized by SPRF is also subject to additional requirements [R.S. 11:243]. Both types of “2178 PBIs” (“Gain-sharing 2178 PBIs” and “FDA 2178 PBIs”) are subject to a Lag Rule for waiting at least one-half of the fiscal year before providing the 2178 PBI. “Gain-sharing 2178 PBIs” are subject to a Window Rule that allows such a PBI only once every two, three or four years, depending on the system’s funded ratio [R.S. 11:243(G)(3)]. “FDA 2178 PBIs” are not subject to the Window Rule because R.S. 11:243(G)(3) only applies to PBIs paid using “excess” earnings (i.e., Gain-sharing PBIs).

“Gain-sharing 246 PBIs”

Current law [R.S. 11:246] also authorizes a separate and independent type of Gain-sharing PBI (a “Gain-sharing 246 PBI”). “FDA PBIs” are not authorized in R.S. 11:246. The “Gain-sharing 246 PBI”, similar to the “Gain-sharing 2178 PBI”, is financed out of SPRF’s interest income only if there are “excess” investment gains that year [R.S. 11:246(B)]. Furthermore, there is an age 65 requirement to become eligible for “246 PBIs” [R.S. 11:246(B)], and “Gain-sharing 246 PBIs” are subject to the Window Rule [R.S. 11:243(G)(3)] and the Lag Rule [R.S. 11:243(G)(1)].

A “Gain-sharing 246 PBI” authorized by the SPRF board of trustees is to be equal to 2% of the benefit that was being received by each eligible individual on October 1, 1977 or the date of benefit commencement if later [R.S. 11:246(B)]. It is an all or nothing benefit increase, i.e., the amount of “excess” investment gain for the year is required to be large enough to cover the financing for the 2% benefit increase, or else none is permitted.

Current law permits the SPRF board of trustees to authorize a “2178 PBI” (either type) and a “Gain-sharing 246 PBI” in the same year, if otherwise satisfying the conditions including the Every-other-year Rule and the Window Rule.

<b>Current Law -- Summary of Rules Applicable to Various PBIs for SPRF Members</b>			
<b>Conditions</b>	<b>“FDA 2178 PBIs”</b>	<b>“Gain-sharing 2178 PBIs”</b>	<b>“Gain-sharing 246 PBIs”</b>
Source of financing	Balance in FDA	“Excess” investment gains	“Excess” investment gains
Age requirement	Age 60	Age 60	Age 65
Waiting period	Yes	Yes	No
Every-other-year Rule	Yes	Yes	No
Window Rule	No	Yes	Yes
Lag Rule	Yes	Yes	Yes
Benefit levels [“FDA 2178 PBIs” and “Gain-sharing 2178 PBIs” are combined before floors and caps are applied]			
• 2% floor (minimum)	Yes	Yes	No
• 3% cap (maximum)	Yes	Yes	No
• \$20/month floor (minimum)	Yes	Yes	No
• Flat 2% (no more, no less)	No	No	Yes
Simultaneous granting across types of PBIs	Yes	Yes	Yes

**Proposed Law**

The proposed law amends R.S. 11:2178 in several ways:

- The current 2% floor would be eliminated under the proposed law. The board of trustees may authorize a “2178 PBI” at any level up to a 2.5% benefit increase; provided, as under current law, there are sufficient funds to finance the increase.
- The current \$20 floor would be eliminated under the proposed law.
- The current 3% cap is decreased to 2.5% under the proposed law.
- A “2178 PBI” dollar amount increase for any one eligible individual may not exceed an amount equal to 5% of the average of all benefit payments being made to service retirees as of the end of the preceding fiscal year, constituting a “5% average cap”.
- New separate and independent “2178 PBIs” may be authorized by the SPRF board of trustees using either Gain-sharing earnings (a “Gain-sharing 2178(K)(1)(b) PBI”) or an FDA balance (an “FDA 2178(K)(1)(b) PBI”). In either type of these new “2178(K)(1)(b) PBIs”, the increase may be an amount equal to 2% of the benefit being paid at the time the increase is granted. This is an all or nothing PBI, i.e., either none or 2%, not a level in between. This is payable to all retirees, disability recipients and survivors who are at least age 65.
- In any one fiscal year, the board of trustees may provide either the revised “2178(K)(1)(a) PBI” (up to 2.5% to those over age 60) or this new separate and independent “2178(K)(1)(b) PBI” (2.0% to those over age 65), but not both in any one fiscal year. This is an “anti-stacking measure” intends to prohibit both from being granted (stacked) in any one year. The amendment deletes R.S. 11:246(A)(7), making the “246 PBIs” unavailable to members of SPRF.
- The proposed law changes the terminology from “widow” to “surviving spouse” in relation to “2178 PBIs” payable after a remarriage is terminated by death.
- The proposed law also deletes an old reference to a one-time increase granted several years ago, i.e., R.S. 11:2178(M).

The proposed law does not change several important provisions of the current law:

- A “2178 PBI” may still be financed by way of either “excess” investment gains (a “Gain-sharing 2178(K)(1)(a) PBI”) or the balance in the funding deposit account (an “FDA 2178(K)(1)(a) PBI”).
- Both types of “2178 PBIs” are still subject to the Every-other-year Rule.
- All three types of “2178 PBIs” (the 2.5% revised Gain-sharing and FDA 2178 PBIs, and the new 2.0% PBI in section 2178) in the proposed law are still subject to the Lag Rule because R.S. 11:243 still applies to all three.

**2019 REGULAR SESSION  
ACTUARIAL NOTE SB 10**

- Both types of “2178 PBIs” retain the same age and waiting period requirements.
- “Gain-sharing 2178 PBIs” (either the revised 2.5% PBI or the new 2.0% PBI) are still subject to the Window Rule that allows such a PBI only once every two, three or four years, depending on the system’s funded ratio because R.S. 11:243(G)(3) still applies.
- The “Gain-sharing 246 PBI” available to the SPRF board of trustees under current law is no longer available in the amended proposed law.

Proposed Law (as amended) -- Summary of Rules Applicable to Various PBIs for SPRF Members					
Conditions	“FDA 2178(K)(1)(a) PBIs”	“Gain-sharing 2178(K)(1)(a) PBIs”	“FDA 2178(K)(1)(b) PBIs”	“Gain-sharing 2178(K)(1)(b) PBIs”	“Gain-sharing 246 PBIs”
Source of financing	Balance in FDA	“Excess” inv. gains	Balance in FDA	“Excess” inv. gains	NA
Age requirement	Age 60	Age 60	Age 65	Age 65	NA
Waiting period	Yes	Yes	Yes	Yes	NA
Every-other-year Rule	Yes	Yes	Yes	Yes	NA
Window Rule	No	Yes	No	Yes	NA
Lag Rule	Yes	Yes	Yes	Yes	NA
Benefit levels [“(K)(1)(a) PBIs” are combined before floors and caps are applied; “(K)(1)(b) PBIs” are combined before floors and caps are applied; 246 PBIs no longer apply under the amended proposed law]					
• Up to 2.5%	Yes	Yes	No	No	NA
• 5% average cap (maximum)	Yes	Yes	No	No	NA
• Flat 2% (no more, no less)	No	No	Yes	Yes	NA
Same-year granting across types of PBIs					
• Allowed with “FDA 2178(K)(1)(a) PBI”	NA	Yes	No	No	NA
• Allowed with “Gain-sharing 2178(K)(1)(a) PBI”	Yes	NA	No	No	NA
• Allowed with “FDA 2178(K)(1)(b) PBI”	No	No	NA	Yes	NA
• Allowed with “Gain-sharing 2178(K)(1)(b) PBI”	No	No	Yes	NA	NA
• Allowed with “Gain-sharing 246 PBI”	Yes	Yes	Yes	Yes	NA

**Implications of the Proposed Changes**

SB 10 proposes to eliminate the floors (minimums) and reducing the cap (maximum) for “2178(K)(1)(a) PBIs” of both types: Gain-sharing or FDA. SB 10 proposes to add separate and independent “2178(K)(1)(b) PBIs” of both types: Gain-sharing or FDA that resembles the “Gain-sharing 246 PBI”. This proposed bill prohibits a “2178(K)(1)(a) PBI” and a “2178(K)(1)(b) PBI” to be granted in any one year.

The proposed language for R.S. 11:2178 adding the new separate and independent “2178(K)(1)(b) PBIs” (both types allowed) resembles the language of R.S. 11:246 (2% payable to retirees over age 65) and prohibits such a “2178(K)(1)(b) PBI” from being granted in the same year as a “2178(K)(1)(a) PBI” is granted.

Furthermore, this amended SB 10 removes SPRF from the list of systems that are permitted to pay a “246 Gain-sharing PBI”.

**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 a decrease. The actuary’s analysis is summarized below.

The proposed law’s elimination of the PBI floors has an increasing effect on benefits because it would allow PBIs at a lower rate in years when none would otherwise be allowed under the current law on account of insufficient funds to pay for the floors. However, this increasing effect may not be very likely because the well-funded condition of the SPRF system makes it likely that, in the foreseeable future, the system will have enough Gain-sharing funds or enough FDA funds to pay at least the 2% PBI floor anyway. It may not be very often that the board provides a PBI that is less than the floors are currently.

- The PBI provided by the SPRF board of trustees beginning January 1, 2018 cost \$28,193,391 paid from the FDA, and was able to pay for a full 3% PBI to all those eligible. So \$28,193,391 paid for a 3% PBI.

**2019 REGULAR SESSION  
ACTUARIAL NOTE SB 10**

- Excess earnings of only 1% more than the actuarial assumed rate of return would produce \$35,926,042 (enough for a PBI in excess of the floors). It is expected that such “excess” earnings will occur with some regularity, but not every year.
- The current balance in the FDA is \$52,683,236 (also enough to pay for a PBI in excess of the floors). There has been a recent pattern from the SPRF board of trustees to set the contribution requirement higher than the minimum so as to create a steady flow of excess contributions into the FDA even after using part of the balance for other purposes.

The proposed law’s reduction in the cap has a decreasing effect on benefits. This decreasing effect is expected to be more than necessary to offset any potential increasing effect, as discussed above.

Two provisions of the bill, as amended, coordinate to prevent stacking of the “2178(K)(1)(a) PBI” (the up-to-2.5% PBI for all eligibles) and the “2178(K)(1)(b) PBI” (the 2.0% PBI for eligibles over age 65) in the same year. The amendment deletes R.S. 11:246(A)(7), making the “246 PBIs” unavailable to members of SPRF. This makes R.S. 11:2178(K)(1)(c) effective in preventing the two types of PBIs available in R.S. 11:2178(K)(1) from being granted (stacked) in the same year. This also has a decreasing effect on the net actuarial cost as compared to current law which does permit stacking.

**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 changing the PBI amount that may be granted.

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

Unless indicated otherwise, the actuarial note for the proposed legislation 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 data, methods and assumptions are being used to provide consistency with the actuary for the retirement system who may also be providing testimony to the Senate and House retirement committees. With certain exceptions, the actuary for the LLA finds the assumptions used by the retirement system and PRSAC to be reasonable.

**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 10 on fiscal costs, fiscal savings, or cash flows is presented in Table D.

**A. Estimated Fiscal Impact – Retirement Systems  
(Prepared by LLA)**

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 10**

**Retirement System Fiscal Cost: Table A**

<b>EXPENDITURES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 Year Total</b>
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	Decrease	Decrease	Decrease	Decrease	Decrease
Annual Total	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

<b>REVENUES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 Year Total</b>
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	0	Decrease	Decrease	Decrease	Decrease	Decrease
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	Decrease	Decrease	Decrease	Decrease	Decrease

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

2. Expenditures:

- a. The statutory template for granting cost-of-living increases allows for a PBI to be granted effective January 1, 2020 under the current law and the proposed law (the Every-other-year Rule) as long as there are funds to pay for it and the board votes to grant it. Given the sizable credit balance expected in the SPRF's FDA, there is some likelihood of a PBI being granted effective in the 2019-20 year (whether there are sufficient gain-sharing earnings or not). However, that would be likely under the current law as well.

If the SPRF board of trustees do grant a maximum PBI effective January 1, 2020 (expenditure in the 2019-20 year), it would be less under the proposed law (2.5%) than under the current law (3.0%) and therefore is recorded above as a decrease.

If a PBI was provided effective January 1, 2020, as described above, no PBI would be allowed for January 1, 2021 because of the Every-other-year Rule under both current law and proposed law, so the effect of the proposed law would be zero for that year. However, if there was no PBI provided effective January 1, 2020, there would be even more likelihood that a maximum PBI would be provided for January 1, 2021 (expenditures in the 2020-21 year), and a maximum PBI under the proposed law (2.5%) is lower than under the current law (3.0%). Therefore, the fiscal effect of the proposed law for the 2020-21 year would be a decrease.

Each succeeding year has some likelihood of PBI expenditures based on what was provided in prior years. On balance, actuarially speaking, the net effect of all these possibilities is a decrease in SPRF (Agy Self Generated) fiscal cost expected each year.

- b. As the benefit expenditures are actuarially expected to decrease when PBIs are provided under the proposed law, the lower PBIs translate into lower employer contributions in subsequent years. Therefore, beginning in the 2020-21 year, the employer contributions (Local Funds) are expected to decrease.

3. Revenues:

- a. The SPRF (Agy Self Generated) revenues will decrease as employer contributions decrease over time, beginning in the 2020-21 year.

**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 10**

**OPEB Fiscal Cost: Table B**

<b>EXPENDITURES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 Year Total</b>
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

<b>REVENUES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 Year Total</b>
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 would 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 Bradley Cryer, Director of Local Government Services, LLA)**

1. Narrative

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**

<b>EXPENDITURES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 Year Total</b>
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

<b>REVENUES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 Year Total</b>
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 would have the following effects on fiscal costs and revenues related to other government entities during the five year measurement period.

2. Expenditures:  
No measurable effects.
3. Revenues:  
No measurable effects.

**2019 REGULAR SESSION  
ACTUARIAL NOTE SB 10**

**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)**

<b>EXPENDITURES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 Year Total</b>
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	Decrease	Decrease	Decrease	Decrease	Decrease
Annual Total	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

<b>REVENUES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 Year Total</b>
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	0	Decrease	Decrease	Decrease	Decrease	Decrease
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	Decrease	Decrease	Decrease	Decrease	Decrease

**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.

A full actuarial determination of the retirement system’s costs, actuarially determined contributions and accrued liability require the use of assumptions regarding future economic and demographic events. The assumptions used to determine the retirement system’s contribution requirement and accrued liability are summarized in the system’s most recent Actuarial Valuation Report accepted by the respective retirement board and by the Public Retirement Systems’ Actuarial Committee (PRSAC).

The actual emerging future experience, such as a retirement fund’s future investment returns, may differ from the assumptions. To the extent that emerging future experience differs from the assumptions, the resulting shortfalls (or gains) must be recognized in future years by future taxpayers. Future actuarial measurements may also differ significantly from the current measurements due to other factors: changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period; or additional cost or contribution requirements based on the system’s funded status); and changes in plan provisions or applicable law.

Examples of risk that may reasonably be anticipated to significantly affect the plan’s future financial condition include:

1. Investment risk – actual investment returns may differ from the expected returns (assumptions);
2. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan’s funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
3. Salary and Payroll risk – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
4. Longevity and life expectancy risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
5. Other demographic risks – members may terminate, retire or become disabled at times or with benefits other than assumed, resulting in actual future accrued liability and contributions differing from expected.

The scope of an Actuarial Note prepared for the Louisiana Legislature does not include an analysis of the potential range of such future measurements or a quantitative measurement of the future risks of not achieving the assumptions. In certain circumstances, detailed or quantitative assessments of one or more of these risks as well as various plan maturity measures and historical actuarial measurements may be requested from the actuary. Additional risk assessments are generally outside the scope of an Actuarial

**2019 REGULAR SESSION  
ACTUARIAL NOTE SB 10**

Note. Additional assessments may include stress tests, scenario tests, sensitivity tests, stochastic modeling, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

However, the general cost-effects of emerging experience deviating from assumptions can be known. For example, the investment return since the most recent actuarial valuation may be less (or more) than the assumed rate, or a cost-of-living adjustment may be more (or less) than the assumed rate, or life expectancy may be improving (or worsening) compared to what is assumed. In each of these situations, the cost of the plan can be expected to increase (or decrease).

The use of reasonable assumptions and the timely receipt of the actuarially determined contributions are critical to support the financial health of the plan. However, employer contributions made at the actuarially determined rate do not necessarily guarantee benefit security.



**2019 REGULAR SESSION  
ACTUARIAL NOTE SB 10**

**Information Pertaining to Article (10)(29(F) of the Louisiana Constitution**

SB 10 contains a retirement system benefit provision having an actuarial cost.

Some members of the Sheriffs' Pension and Relief Fund may receive a larger benefit with the enactment of SB 10 than what they would have received without SB 10, as described in the Actuarial Analysis Section above.

**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.

**Senate**

**House**

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**

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**

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**

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**