


**2016 REGULAR SESSION
ACTUARIAL NOTE HB 37**

<p>House Bill 37 HLS 16RS-379 Reengrossed F with Senate Floor Amendment #3426</p> <p>Author: Representative Sam Jones Date: May 31, 2016 LLA Note HB 37.05</p> <p>Organizations Affected: Municipal Employees' Retirement System</p> <p>REF NO IMPACT 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 HB 37 provides compliance with the requirements of R.S. 24:521</p> <div style="text-align: center;">  Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services </div>
--	---

Bill Header: RETIREMENT/MUNICIPAL EMP: Provides relative to the board of trustees of the Municipal Employees' Retirement System.

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 to Retirement Systems	\$0
Total Five Year Fiscal Cost	
Expenditures	\$0
Revenues	\$0

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.

<u>Actuarial Cost to:</u>	<u>Change in the Actuarial Present Value</u>
All Louisiana Public Retirement Systems	\$0
Other Post Retirement Benefits	\$0
Total	\$0

Estimated Fiscal Impact:

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

EXPENDITURES	2016-17	2017-18	2018-19	2019-2020	2020-2021	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	2016-17	2017-18	2018-19	2019-2020	2020-2021	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

**2016 REGULAR SESSION
ACTUARIAL NOTE HB 37**

Bill Information:

Current Law

Current law regarding the Municipal Employees' Retirement System (MERS) contains provisions regarding:

1. Composition of the board of trustees.
2. The length of the terms of office for members of the board of trustees.
3. Ethics rules that generally prohibit a board member from receiving items of economic value from those doing business with the state, subject to specified exceptions.
4. Board responsibilities.

Proposed Law

HB 37 changes the composition of the board of trustees:

1. The service requirement for the six members of the board of trustees who are active and contributing members of MERS will be decreased from 10 to 6 years.
2. The commissioner of administration and the state treasurer or their designees, who currently are non-voting members, will become voting members.

No trustee who has been elected to serve as an active contributing member of the system for more than one and one-half terms may be reelected to serve another term.

Under HB 37, exceptions to the general rule against receiving an item of economic value will no longer be available to members of the MERS board of trustees. However, board members will be able to receive food, drink, or refreshments if consumed while the personal guest of some person during an educational or professional development seminar or conference.

HB 37 adds the following responsibilities to the MERS board of trustees.

1. Financial statements of the Louisiana public retirement systems must be submitted to the legislature at least 30 days prior to the beginning of each regular session of the legislature. In addition to the financial statement, MERS must also submit an itemized schedule of all amounts paid by the system to or on behalf of the system's board members.
2. The board of trustees will not authorize the use of system funds to pay for a board member's attendance at more than one educational or professional development seminar or conference per fiscal year held outside the state of Louisiana.
3. The board will not authorize the use of system funds to pay for a board member's attendance at any conference not affiliated with a nationally recognized association related to state retirement systems.

Implications of the Proposed Changes

HB 37 changes the conditions for serving on the MERS board of trustees, modifies the exceptions to the general rule pertaining to the receipt of items of economic value and reduces the ability of the MERS board to travel for educational or professional purposes.

Cost Analysis:

Analysis of Actuarial Costs

HB 37 does not contain any benefit improvements having an actuarial cost.

Retirement Systems

There are no actuarial costs associated with HB 37.

Other Post-Employment Benefits

HB 37 has no effect on actuarial costs associated with post-employment benefits other than pensions.

Analysis of Fiscal Costs

HB 37 will have no effect on fiscal costs during the five year measurement period.

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 adopted by PRSAC. These assumptions and methods are in compliance with actuarial standards of practice. This data,

**2016 REGULAR SESSION
ACTUARIAL NOTE HB 37**

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.

Actuarial Caveat

There is nothing in HB 37 that will compromise the signing actuary's ability to present an unbiased statement of actuarial opinion.

Actuarial Credentials:

Paul T. Richmond is the Manager of Actuarial Services 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 Fiscal Cost \geq \$100,000
- 6.8(F)(2): Annual Revenue Reduction \geq \$100,000
- 6.8(G): Annual Tax or Fee Change \geq \$500,000