

**2017 REGULAR SESSION
ACTUARIAL NOTE HB 33**

<p>House Bill 33 HLS 17RS-364 Enrolled</p> <p>Author: Representative Kevin Pearson Date: June 9, 2017 LLA Note HB 33.04</p> <p>Organizations Affected: State and Statewide Retirement Systems</p> <p>EN NO IMPACT 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> <div style="text-align: center;">  Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services </div>
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Bill Header: RETIREMENT/BDS – COMMISSIONS: Provides relative to legislative staff attendance at executive sessions of the boards of trustees of state and statewide retirement systems.

Cost Summary:

The estimated actuarial and fiscal impact of HB 33 on the retirement systems and their plan sponsors is summarized below. Actuarial costs pertain to estimated changes in the *actuarial present value of future benefit payments*. 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 *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.

Actuarial Costs Pertaining to:	<u>Actuarial Cost</u>	
The Retirement Systems		\$0
Other Post-Employment Benefits (OPEB)		0
Other Government Entities		<u>0</u>
Total		\$0
	<u>Fiscal Costs</u>	
Five Year Fiscal Cost Pertaining to:	<u>Expenses</u>	<u>Revenues</u>
The Retirement Systems	\$0	\$0
Other Post-Employment Benefits	0	0
Other Government Entities	<u>0</u>	0
Total	\$0	\$0

Bill Information

Current Law

Current law provides for elected, appointed, and ex officio members of the boards of trustees of the state and statewide retirement systems.

Current law further provides that *a member* of the House Committee on Retirement appointed by the Speaker of the House of Representatives, ex officio, and the chairman of the Senate Committee on Retirement, ex officio, or their designees, shall serve as voting members of the governing boards of each of the following state and statewide retirement systems:

1. Louisiana State Employees’ Retirement System (LASERS)
2. Teachers; Retirement System of Louisiana (TRSL)
3. Louisiana School Employees’ Retirement System (LSERS)
4. Louisiana State Police Retirement System (LSPERS)
5. Assessors’ Retirement Fund (ASSR)
6. Clerks’ of Court Retirement and Relief Fund (CCRS)
7. District Attorneys’ Retirement System (DARS)

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8. Firefighters' Retirement System (FRS)
9. Municipal Employees' Retirement System of Louisiana (MERS)
10. Municipal Police Employees' Retirement System (MPERS)
11. Parochial Employees' Retirement System of Louisiana (PERS)
12. Registrars of Voters Employees' Retirement System (ROVERS)
13. Sheriffs' Pension and Relief Fund (SPRF)

In addition, the chairman of the House Committee on Retirement and the chairman of the Senate Committee on Retirement may each independently authorize legislative staff to attend any executive session of any board or committee meeting of any state or statewide retirement system board or committee. Legislative staff attending such executive sessions have the same rights, duties, and privileges as *the chairmen* who appointed them.

Proposed Law

Under the proposed law, legislative staff authorized to attend executive sessions of any board or committee meeting will have the same rights, duties, and privileges, including the lawyer-client privilege, as *the legislators* as members of the board attending that executive session. This applies to all 13 state and statewide retirement systems.

Also under proposed law, any person who has been found in violation of the Code of Governmental Ethics for actions involving the misuse of public funds will be prohibited from serving as trustee on any state or statewide retirement system board of trustees.

Implications of the Proposed Changes

HB 33 gives legislative staff who are authorized to attend executive sessions the same rights, duties, and privileges as the legislators as members of the board who are in attendance. HB 33 also prohibits any person who has been found in violation of the Code of Governmental Ethics for actions involving the misuse of public funds from being eligible to serve as trustee on any state or statewide retirement system board of trustees.

I. ACTUARIAL ANALYSIS SECTION

**A. Analysis of Actuarial Costs
(Prepared by LLA)**

This section of the actuarial note pertains to the actuarial present value cost or savings associated with the retirement systems, with OPEB, and with other government entities.

1. Retirement Systems

The actuarial cost of HB 33 associated with the retirement systems is estimated to be \$0. Our analysis is summarized below.

HB 33 changes the rights, duties, and privileges of legislative staff authorized to attend executive sessions and prohibits certain persons from being eligible to serve as trustee on any state and statewide retirement system board of trustees. There are no changes in other provisions of the systems and no changes in per diem expenses, and therefore the proposed bill does not have an effect on the actuarial cost of the systems.

2. Other Post-Employment Benefits (OPEB)

The actuarial cost of HB 33 associated with OPEB, including retiree health insurance premiums, is estimated to be \$0. Our analysis is summarized below.

The liability for post-retirement medical insurance protection provided to retirees by the Office of Group Benefits or other insurers is not affected by the rights, duties, and privileges of legislative staff attending executive sessions or by the eligibility of certain persons to serve as trustee on any of the state and statewide retirement system board of trustees.

3. Other Government Entities

The actuarial cost of HB 33 associated with government entities other than those identified in HB 33, is estimated to be \$0. Our analysis is summarized in Section II; Subsection C.

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

Unless indicated otherwise, the actuarial note for HB 33 was prepared using actuarial data, methods and assumptions as disclosed in the most recent actuarial valuation reports adopted by 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.

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**C. Actuarial Caveat
(Prepared by LLA)**

There is nothing in HB 33 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 costs or savings associated with the retirement systems (Table A), with OPEB (Table B), and with other fiscal costs or savings attributable to government entities not associated with either the retirement systems or OPEB (Table C). Fiscal costs or savings reflect all forms of cash flow including benefit costs or savings, administrative costs or savings, or any other identifiable type of fiscal cost or savings. The total effect of HB 33 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.

Table A shows the estimated fiscal impact of the proposed legislation on the retirement systems and the government entities that sponsor them. The impact on fiscal information in Table A includes administrative costs or savings associated with the retirement system and the sponsoring government entities.

Fiscal Cost for the Retirement Systems and Their Sponsors: Table A

EXPENDITURES	2017-18	2018-19	2019-2020	2020-2021	2021-2022	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	2017-18	2018-19	2019-2020	2020-2021	2021-2022	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

**B. Estimated Fiscal Impact – OPEB
(Prepared by LLA)**

1. Narrative

Table B shows the estimated fiscal impact of HB 33 on costs or savings associated with OPEB and the government entities that sponsor these benefit programs. Fiscal costs or savings in Table B include administrative costs or savings associated with the government entity sponsoring the OPEB program. 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.

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OPEB Fiscal Cost: Table B

EXPENDITURES	2017-18	2018-19	2019-2020	2020-2021	2021-2022	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	2017-18	2018-19	2019-2020	2020-2021	2021-2022	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

C. Estimated Fiscal Impact – Other Government Entities (unrelated to the retirement systems or OPEB)
(Prepared by Tanesha Morgan, Legislative Fiscal Office)

1. Narrative

Proposed law provides that legislative staff authorized to attend executive sessions of any board or committee meeting will have the same rights, duties, and privileges as the legislators as members of the board attending that executive session. Proposed law also prohibits any person who has been found in violation of the Code of Governmental Ethics for actions involving the misuse of public funds from being eligible to serve as trustee on any state or statewide retirement system board of trustees.

Fiscal Costs for Other Government Entities: Table C

EXPENDITURES	2017-18	2018-19	2019-2020	2020-2021	2021-2022	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	2017-18	2018-19	2019-2020	2020-2021	2021-2022	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

HB 33 will have the following effects on fiscal costs and revenues related to other government entities during the five year measurement period.

2. Expenditures:

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

3. Revenues:

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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 HB 33 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.

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Total Fiscal Cost: Table D (Cumulative Costs from Tables A, B, & C)

EXPENDITURES	2017-18	2018-19	2019-2020	2020-2021	2021-2022	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	2017-18	2018-19	2019-2020	2020-2021	2021-2022	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

Credentials of the Signatory Staff:

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.

John D. Carpenter for the Legislative Fiscal Office has supervised the preparation of the fiscal analyses contained in Section II; Subsection C.

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

HB 33 contains a retirement system benefit provision having an actuarial cost.

Provisions of HB 33 only pertain to administration of the retirement system.

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 2017 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