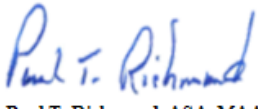


**2018 REGULAR SESSION  
ACTUARIAL NOTE HB 12**

<p>House Bill 12 HLS 18RS-356 Original</p> <p>Author: Representative Ivey Date: March 16, 2018 LLA Note HB 12.01</p> <p>Organizations Affected: Public Retirement Systems' Actuarial Committee</p> <p>OR +44,300 FC GF EX</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: Requires the Public Retirement Systems' Actuarial Committee to report to the legislature.

**Cost Summary:**

The estimated actuarial and fiscal impact of HB 12 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.

<b>Actuarial Costs Pertaining to:</b>		<b>Actuarial Cost</b>
The Retirement Systems		\$0
Other Post Employment Benefits (OPEB)		0
Other Government Entities		<u>0</u>
Total		\$0
<b>Five Year Fiscal Cost Pertaining to:</b>	<b>Expenses</b>	<b>Revenues</b>
The Retirement Systems	\$ 0	\$0
Other Post-Employment Benefits	0	0
Other Government Entities	<u>221,500</u>	<u>0</u>
Total	\$ 221,500	\$0

**Bill Information**

**Current Law**

Current law requires the Public Retirement Systems' Actuarial Committee (PRSAC) to annually adopt an official valuation of each state or statewide retirement system. Such adoption requires PRSAC to review and analyze all assumptions and valuations submitted to PRSAC, and to approve, by majority consent, a single valuation for each of the state and statewide retirement systems.

Current law also provides for PRSAC to submit the valuation adopted by the committee to the House and Senate committees on retirement and the Joint Legislative Committee on the Budget.

**Proposed Law**

HB 12 adds a requirement that PRSAC submit to the legislature all additional assumptions and valuations which were submitted to PRSAC for the valuation review process.

In addition, it requires the legislative auditor to submit to the legislature, a summary of the disparities between the various assumptions and valuations presented to PRSAC for each system.

**Implications of the Proposed Changes**

The legislature will have a broader picture of the status of the retirement plans, because they will receive not only the valuations approved by PRSAC, but also the alternative valuations and assumptions which were provided to PRSAC for their review. In addition the legislature will receive a summary of all discrepancies between what was adopted and the alternatives.

**2018 REGULAR SESSION  
ACTUARIAL NOTE HB 12**

**I. ACTUARIAL ANALYSIS SECTION**

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

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

**1. Retirement Systems**

The actuarial present value cost of HB 12 associated with the retirement systems is estimated to be \$0. Our analysis is summarized below.

HB 12 adds reporting requirements for PRSAC and the legislative auditor. HB 12 does not make any benefit changes and therefore does not have any effect on the actuarial cost associated with the retirement systems and their sponsors.

**2. Other Post-Employment Benefits (OPEB)**

The actuarial present value cost of HB 12 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 is not affected by the additional reporting requirements for PRSAC and the legislative auditor.

**3. Other Government Entities**

HB 12 does not have an effect on the actuarial cost of retirement benefits for any public retirement system in Louisiana. However, it does have a financial effect on the Louisiana Legislative Auditor. The annual administrative cost to prepare the report contemplated by HB 12 is \$44,300. The present value of the annual administrative cost (assuming an interest rate of 4.00% per year) is \$1,107,500.

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

Unless indicated otherwise, the actuarial note for HB 12 was prepared using actuarial data, methods, and assumptions as disclosed in the most recent actuarial valuation report 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.

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

There is nothing in HB 12 that will compromise the signing actuary's ability to present an unbiased statement of actuarial opinion.

**II. FISCAL ANALYSIS SECTION**

Tables A, B, C1, C2, and D have been prepared by the LLA. These tables include information developed by the LLA from its own sources as well as information supplied by Tanesha Morgan of the Legislative Fiscal Office (LFO). Table D includes all costs and savings pertaining to Louisiana government.

The LFO has requested that the information supplied by Tanesha Morgan be included in the actuarial note verbatim and without any changes. This information is shown below under Fiscal Costs Developed by the LFO. The reader should note that complete fiscal cost information is contained within Table D. Fiscal costs developed by the LFO only reflect the portion of Table D that was supplied by the LFO.

Table A pertains to fiscal costs or savings associated with the retirement systems; Table B pertains to OPEB; Tables C1 and C2 pertain to fiscal costs associated with government entities other than the retirement systems and sponsors. Table D is the cumulative sum of Tables A, B, C1 and C2.

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

**2018 REGULAR SESSION  
ACTUARIAL NOTE HB 12**

**Retirement System Fiscal Cost: Table A**

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</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>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</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

HB 12 will have no effect on fiscal costs related to the 13 state and statewide retirement systems of Louisiana.

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

1. Narrative

Table B shows the estimated fiscal impact of HB 12 on actuarial 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 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.

**OPEB Fiscal Cost: Table B**

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</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>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</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

HB 12 will have no effect on OPEB related fiscal costs and revenues during the five year measurement period.

**C. Estimated Fiscal Impact: Other Government Entities (unrelated to the retirement systems or OPEB)  
(Prepared by John D. Carpenter, Legislative Fiscal Officer, and Bradley Cryer, Assistant Legislative Auditor.)**

1. Narrative

From time to time, legislation is proposed that has an indirect effect on cash flows associated with other government entities, unrelated to the retirement systems or OPEB. Tables C1 and C2 show the estimated fiscal impact of HB 12 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.

**2018 REGULAR SESSION  
ACTUARIAL NOTE HB 12**

**Fiscal Costs for State Government Entities Other than Retirement Systems: Table C1  
(Prepared by John D. Carpenter, Legislative Fiscal Officer)**

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</b>	<b>5 Year Total</b>
State General Fund	\$ 13,630	\$ 13,630	\$ 13,630	\$ 13,630	\$ 13,630	\$ 68,150
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
<b>Annual Total</b>	<b>\$ 13,630</b>	<b>\$ 13,630</b>	<b>\$ 13,630</b>	<b>\$ 13,630</b>	<b>\$ 13,630</b>	<b>\$ 68,150</b>

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</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
<b>Annual Total</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

Administrative expenses (fiscal costs) associated with the Louisiana Legislative Auditor are estimated to increase \$13,630 a year relative to the four state retirement systems (\$3,408 per system per year).

**Fiscal Costs for Statewide, Parish, Municipal, and Local Government Entities Other than Retirement Systems: Table C2  
(Prepared by Bradley Cryer, Assistant Legislative Auditor)**

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</b>	<b>5 Year Total</b>
State General Fund	\$ 30,670	\$ 30,670	\$ 30,670	\$ 30,670	\$ 30,670	\$ 153,350
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
<b>Annual Total</b>	<b>\$ 30,670</b>	<b>\$ 30,670</b>	<b>\$ 30,670</b>	<b>\$ 30,670</b>	<b>\$ 30,670</b>	<b>\$ 153,350</b>

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</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
<b>Annual Total</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

Administrative expenses (fiscal costs) associated with the Louisiana Legislative Auditor are estimated to increase \$30,670 a year relative to the nine statewide retirement systems (\$3,408 per system per year).

HB 12 will have the following effects on fiscal costs and revenues related to the Louisiana Legislative Auditor during the five year measurement period.

2. Expenditures:

- a. Expenditures from the State General Fund HB 12 are expected to increase \$44,300 a year. Actually, the State General Fund finances the Legislature and the Legislature finances the Legislative Auditor who completes the additional assignment under HB 12. In theory, the Legislature would increase the Legislative Auditor's budget and then go to the Joint Legislative Committee on the Budget to obtain the amount needed from the State General Fund to complete its business, including the report mandated under HB 12.

3. Revenues:

- a. Except for the transactions described above under 2(a), HB 12 has no effect on revenues for any Louisiana government entity.

**2018 REGULAR SESSION  
ACTUARIAL NOTE HB 12**

**D. Estimated Fiscal Impact – All Retirement Systems, OPEB, and All Government Entities  
(Prepared by the LLA)**

1. Narrative

Table D shows the estimated fiscal impact of HB 12 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 Tables C1 and C2. 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, C1 and C2)**

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</b>	<b>5 Year Total</b>
State General Fund	\$ 44,300	\$ 44,300	\$ 44,300	\$ 44,300	\$ 44,300	\$ 221,500
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
<b>Annual Total</b>	<b>\$ 44,300</b>	<b>\$ 44,300</b>	<b>\$ 44,300</b>	<b>\$ 44,300</b>	<b>\$ 44,300</b>	<b>\$ 221,500</b>

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</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
<b>Annual Total</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

**Fiscal Information Received by the LLA from the LFO**

1. Narrative

Proposed law requires that the Public Retirement Systems' Actuarial Committee (PR SAC) submit to the legislature the valuation approved by PR SAC for each public retirement system and all additional assumptions. Proposed law further requires the legislative auditor to submit a report to the legislature that summarizes of all disparities between the various assumptions and valuations for each retirement system.

**Fiscal Costs for Other Government Entities**

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</b>	<b>5 Year Total</b>
State General Fund	\$ 44,300	44,300	44,300	44,300	44,300	\$ 221,500
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
<b>Annual Total</b>	<b>\$ 44,300</b>	<b>\$ 44,300</b>	<b>\$ 44,300</b>	<b>\$ 44,300</b>	<b>\$ 44,300</b>	<b>\$ 221,500</b>

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</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
<b>Annual Total</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

HB 12 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 an anticipated cost of \$44,300 per year to the Legislative Auditor’s Office. This measure requires the legislative auditor to submit a report the legislature. The Legislative Auditor’s Office will use contracted auditors to complete this report and estimates that it will take 143 hours to produce the report at a cost of \$310 per hour, for a total cost of \$44,300.*

3. Revenues:

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

**2018 REGULAR SESSION  
ACTUARIAL NOTE HB 12**

**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, Legislative Fiscal Officer, and Bradley Cryer, Assistant Legislative Auditor, have supervised the preparation of the fiscal analyses contained herein.

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

HB 12 contains a retirement system benefit provision having an actuarial cost.

No member of any Louisiana public retirement system will receive a larger benefit with the enactment of HB 12 than what he would have received without HB 12.

**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 2018 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**