


**2019 REGULAR SESSION
ACTUARIAL NOTE SB 17**

<p>Senate Bill 17 SLS 19RS-179 Original</p> <p>Author: Senator Peterson Date: March 8, 2019 LLA Note SB 17. 01</p> <p>Organizations Affected: Assessors' Retirement Fund Clerks' of Court Retirement and Relief Fund Sheriffs' Pension and Relief Fund Registrars of Voters Employees' Retirement System District Attorneys' Retirement System</p> <p>OR SEE ACTUARIAL NOTE 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 & Actuary Gabriel, Roeder, Smith & Company, Actuary for the Legislative Auditor</p>
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Bill Header: RETIREMENT SYSTEMS: Provides relative to funding of retirement systems. (6/30/19)

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).

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

Bill Information

Current Law

Current law provides ad valorem tax contributions to be remitted to seven statewide retirement systems as a percentage of aggregate taxes shown to be collectible by each parish. The taxes from the city of New Orleans are to be remitted to five systems in the following amounts:

1. Assessors' Retirement Fund (ARF) - 0.25%
2. Clerks' of Court Retirement and Relief Fund (CCRRF) - 0.5%
3. Sheriffs' Pension and Relief Fund (SPRF) - 0.5%
4. Registrars of Voters Employees' Retirement System (ROVERS) - 0.0625%
5. District Attorneys' Retirement System (DARS) - 0.2% of taxes collected pursuant to the provisions of R.S. 47:1502.1

Proposed Law

SB 17 limits the amount of aggregated taxes on which the city of New Orleans is required to measure the remittance due to the five systems by specifying that aggregate taxes shown to be collectible in the city of New Orleans shall not include any tax dedicated to a specific purpose stated in the proposition authorizing the tax.

SB 17 will apply beginning with the 2019 actuarial valuation for each of the five systems.

**2019 REGULAR SESSION
ACTUARIAL NOTE SB 17**

Implications of the Proposed Changes

Beginning with the 2019 actuarial valuations, the ad valorem tax amount paid by the city of New Orleans to the five systems will decrease.

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 \$0. The actuary's analysis is summarized below.

Since there is no change in the benefits payable or promised by the five systems, the overall actuarial costs of the systems will not decrease or increase.

The ad valorem taxes owed by the city of New Orleans to the five Systems would be reduced since the percentage of taxes owed would not be applied to any tax dedicated to a specific purpose stated in the proposition authorizing the tax. Currently, all actuarial costs (besides investment income) are covered by member contributions, ad valorem taxes, and employer contributions. If ad valorem taxes paid to the retirement systems decrease under the proposed legislation, the lost revenue will have to be made up through higher employer contribution rates paid by all participating employers.

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 a change in the amount of ad valorem tax contributions from the city of New Orleans received by the five retirement systems.

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

A detailed review of the actuarial data, methods or assumptions applicable to these retirement systems was not made or required for the preparation of this Actuarial Note.

**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 17 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 17**

Retirement System Fiscal Cost: Table A

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

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	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

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

2. Expenditures:

- a. Expenditures from ARF, CCRRF, SPRF, ROVERS, and DARS (Agy Self-Generated) would not change since the benefits payable to their retirees would not change.
- b. New Orleans' ad valorem contributions to the retirement systems (Expenditures from Dedicated Sources) would decrease
- c. Retirement contributions (Expenditures) from all Local Funds would increase to the extent that the ARF, CCRRF, SPRF, ROVERS, and DARS employer contribution requirement rates increase due to the systems' decrease in ad valorem taxes received.
- d. The net effect on all types of Expenditures is zero.

3. Revenues:

- a. New Orleans' ad valorem contributions to the retirement systems (Agy Self-Generated Revenues) would decrease.
- b. Retirement contributions (Agy Self-Generated Revenues) from all Local Funds, as a whole, would increase to the extent that the ARF, CCRRF, SPRF, ROVERS, and DARS employer contribution requirement rates increase due to the systems' decrease in ad valorem taxes received.
- c. The net effect on all types of Revenues is zero.

**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 17**

OPEB Fiscal Cost: Table B

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	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	2019-20	2020-21	2021-22	2022-23	2023-24	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

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

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	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	2019-20	2020-21	2021-22	2022-23	2023-24	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

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 17**

**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)

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

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	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:

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. Risk disclosures otherwise required by ASOP No. 51 do not apply to this Actuarial Note because the proposed bill does not significantly change the types or levels of risks of the retirement system.

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

SB 17 contains a retirement system benefit provision having an actuarial cost.

No member of ARF, CRRF, SPRF, ROVERS, and DARS will receive a larger benefit with the enactment of SB 17 than what he would have received without SB 17.

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