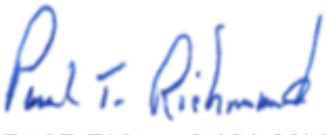


**2013 REGULAR SESSION
REVISED ACTUARIAL NOTE HB 35**

<p>House Bill 35 HLS 13RS-363 Revised Original</p> <p>Author: Representative Regina A. Barrow Date: April 22, 2013</p> <p>LLA Note HB 35.01</p> <p>Organizations Affected: Louisiana State Employees' Retirement System Teachers' Retirement System of Louisiana</p> <p>OR +\$13,851,000 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 35 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>
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Bill Header: RETIREMENT/STATE EMPS: Provides for retirement eligibility of employees of state hospitals under certain conditions

Cost Summary:

The estimated actuarial and fiscal impact of the proposed legislative 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/(Savings) to Retirement Systems and OGB	\$13,851,000
Total Five Year Fiscal Cost	
Expenditures	Increase
Revenues	Increase

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.

Actuarial Cost/(Savings) to:	<u>Change in the Actuarial Present Value</u>
All Louisiana Public Retirement Systems	\$ 13,851,000
Other Post Retirement Benefits	Increase
Total	\$13,851,000

This bill complies with the Louisiana Constitution which requires unfunded liabilities created by an improvement in benefits to be amortized over a period not to exceed ten years.

Estimated Fiscal Impact:

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

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-2018	5 Year Total
State General Fund	\$ 0	\$ 574,000	\$ 574,000	\$ 574,000	\$ 574,000	\$ 2,296,000
Agy Self Generated	Increase	Increase	Increase	Increase	Increase	Increase
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	Increase	Increase	Increase	Increase	Increase
Annual Total	\$ 0	\$ 574,000	\$ 574,000	\$ 574,000	\$ 574,000	\$ 2,296,000

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-2018	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	0	574,000	574,000	574,000	574,000	2,296,000
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	\$ 574,000	\$ 574,000	\$ 574,000	\$ 574,000	\$ 2,296,000

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Bill Information:

Current Law

Under current law, a member of the Louisiana State Employees' Retirement System (LASERS) may retire with an unreduced benefit if he satisfies the following age and service conditions:

1. For members first employed on or before June 30, 2006.
 - a. At age 60 with 10 or more years of service,
 - b. At age 55 with 25 or more years of service,
 - c. At any age with 30 or more years of service.
2. For members first employed on or after July 1, 2006 and on or before June 30, 2013.
 - At age 60 with 5 or more years of service.

Under current law, a member of the Teachers' Retirement System of Louisiana (TRSL) may retire with an unreduced benefit based on a 2.5% benefit accrual rate if he satisfies the following age and service conditions:

1. For members first employed on or before June 30, 1999.
 - a. At age 65 with 20 or more years of service,
 - b. At age 55 with 25 or more years of service,
 - c. At any age with 30 or more years of service.
2. For members first employed on or after July 1, 1999 and on or before December 31, 2010.
 - a. At age 50 with 5 or more years of service,
 - b. At age 55 with 25 or more years of service,
 - c. At any age with 30 or more years of service.
3. For members first employed on or after January 1, 2011 and on or before June 30, 2013.
 - At age 60 with 5 or more years of service.

Proposed Law

HB 35 pertains to members of LASERS and TRSL who are employed by a state hospital operated by the Board of Supervisors of the Louisiana State University and Agricultural and Mechanical College as part of the Louisiana State University Health Center. If the State Civil Service Commission or the director of the state civil service approves a layoff plan or layoff avoidance plan affecting such a member's employer hospital, then:

- The member may retire without actuarial reduction based on a 2.5% benefit accrual rate if he has 25 or more years of service.

Such a member may retire regardless of whether or not his individual position is affected by the layoff plan.

The provisions of HB 35 shall become effective June 7, 2013. The provisions of HB 35 shall expire three years later.

Implications of the Proposed Changes

A member of LASERS and TRSL who is employed by a hospital approved for a layoff plan or a layoff avoidance plan by state civil service may retire without actuarial reduction if he has 25 or more years of service.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

There are 298 members of LASERS and 8 members of TRSL who potentially are affected by HB 35. These members have 25 or more years of service but would not otherwise be able to retire with an unreduced benefit based on a 2.5% benefit accrual rate.

HB 35 will have the following effect on actuarial costs assuming all members eligible to retire as a result of the HB 35 actually retire.

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Increase/(Decrease) in Components of Actuarial Cost

	LASERS	TRSL	Total
Present Value of Future Benefit Payments (APV)	\$ 13,251,000	\$ 600,000	\$ 13,851,000
Accrued Liability (AL)	28,476,000	1,300,000	29,776,000
Unfunded Accrued Liability (UAL)	28,476,000	1,300,000	29,776,000
Employer Normal Cost	(3,573,000)	(120,000)	(3,693,000)
Employer Amortization Cost	4,083,000	185,000	4,268,000
Employer Contribution Requirements	510,000	64,000	574,000

This analysis is based on the assumption that, if a member retires but his position has not been eliminated, the open position will be filled.

Other Post Retirement Benefits

The present value of future benefit payment related to post-employment benefit other than pension will increase to the extent that some employees will retire earlier as a result of HB 35 than they would have otherwise. The amount of additional liability has not been measured.

Analysis of Fiscal Costs

HB 35 will have the following effect of fiscal costs during the five year measurement period. This analysis is based on the assumption that, if a member retires but his position has not been eliminated, the open position will be filled.

Expenditures:

1. Expenditures from the General Fund will increase \$574,000 beginning in FYE 2015 because employer contribution requirements to LASERS and TRSL will increase \$510,000 and \$64,000 respectively.
2. Expenditures from the Office of Group Benefits or from the LSU System Health Plan (General Fund) pertaining to post-employment benefits other than pensions will increase.
3. Expenditures from LASERS and TRSL (Agy Self-Generated) will increase to the extent that retiree payrolls will increase as a result of retirements occurring earlier than they would have otherwise.
4. Expenditures from Local Funds will increase in FYE 2015 to the extent that the increase in amortization costs will be shared by all employers, including school districts, participating in TRSL.

Revenues:

1. LASERS and TRSL revenues will increase beginning in FYE 2015 to the extent that employer contribution requirements increase.
2. LASERS and TRSL revenues from employee contributions will not change because it is assumed that if a member retires but his position has not been eliminated, the open position will be filled.

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 \geq \$100,000 Annual Fiscal Cost
- 13.5.2 \geq \$500,000 Annual Tax or Fee Change

House

- 6.8(F) \geq \$500,000 Annual Fiscal Cost
- 6.8(G) \geq \$500,000 Annual Tax or Fee Change