2013 REGULAR SESSION
ACTUARIAL NOTE SCR 1

Senate Concurrent Resolution 1 **SLS 13RS-213** **Engrossed** **Author: Senator Page Cortez** **Date: April 22, 2013** **LLA Note SCR 1.02** **Organizations Affected:** **LASER** **TRSL** **LSERS** **EG DECREASE FC GF & SG EX**	**This Note has been prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of this Note to SCR 1 provides compliance with the requirements of R.S. 24:521.** Paul T. Richmond **Paul T. Richmond, ASA, MAAA, EA** **Manager Actuarial Services**

Bill Header: RETIREMENT SYSTEMS. Suspends Chapter 7 of Subtitle II of Title 11 of the Louisiana Revised Statutes of 1950, comprised of R.S. 1399.1 through 1399.7.

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	Decrease
Total Five Year Fiscal Cost	
Expenditures	Decrease
Revenues	Decrease

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 to:	**Change in the Actuarial Present Value**
All Louisiana Public Retirement Systems	Decrease
Other Post Retirement Benefits	$0
Total	Decrease

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	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Agy Self Generated	Decrease	Decrease	Increase	Increase	Increase	Decrease
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	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

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	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
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	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

2013 REGULAR SESSION
ACTUARIAL NOTE SCR 1

Bill Information:

Current Law

A cash balance plan was enacted during the 2012 regular session of the legislature. The cash balance plan is to be implemented on July 1, 2013 for the following state retirement systems:

1. The Louisiana State Employees' Retirement System (LASERS),
2. The Teachers' Retirement System of Louisiana (TRSL), and
3. The Louisiana School Employees' Retirement System (LSERS).

Proposed Resolution

The implementation date for the cash balance plan for LASERS, TRSL, and LSERS will be postponed until July 1, 2014.

Implications of the Proposed Changes

The cash balance plan has several issues that will only be resolved through the courts and rulings from the Internal Revenue Service. Implementation of the cash balance plan will be delayed one year to give time for these issues to be addressed.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

Our actuarial opinion as disclosed in our actuarial note for HB 61 of the 2012 regular session of the legislature concluded that the cash balance plan has a long term cost that exceeds the long term cost of the plan that would have applied to members had the cash balance plan not been enacted. Therefore a one year delay in implementation results in a reduction in actuarial present value of future benefits for LASERS, TRSL, and LSERS.

Normal costs associated with the cash balance plan were projected to be larger over the five year fiscal measurement period than normal costs for the plan it replaced. If implementation is delayed one year, the incidence of increased normal costs will also be delayed.

Other Post Retirement Benefits

There are no actuarial costs associated with SCR 1 for post-employment benefits other than pensions.

Analysis of Fiscal Costs

SCR 1 will have the following effect on fiscal costs during the five year measurement period.

Expenditures:

1. Expenditures from the General Fund will decrease because normal costs associated with members first employed on or after July 1, 2013, will decrease.

2. Expenditures from the General Fund will decrease because employer contribution requirements associated with administrative expenses will decrease.

3. Expenditures by LASERS and TRSL will increase. The group of members first employed between July 1, 2013, and June 30, 2014, will become members of the traditional defined benefit plan pertaining to members first employed on or after December 31, 2010. If these members terminate employment during the fiscal measurement period, they are likely to take an immediate refund of their employee contributions. If implementation is not delayed, these same members are likely to postpone their request for a refund until the fifth anniversary of their membership in order to receive the entire balance in their cash balance plan accounts.

4. Expenditures by LASERS and TRSL will decrease because administrative expenses will decrease. If the systems are required to implement the cash balance plan on July 1, 2013, before the various legal issues are resolved through the courts and the Internal Revenue Service, any implementation work done now may need substantial revision once all issues have been addressed. A delay in implementation will avoid these additional costs. The systems will also avoid administrative costs necessary to rectify or correct any benefit rights that ultimately may change.

Revenues:

1. Retirement system revenues (Agy Self-Generated) will decrease because employer contributions to the systems, resulting from lower normal costs, will decrease.

2. Retirement system revenues will decrease because employer contribution requirements associated with administrative costs will decrease.

As indicated above, fiscal expenditures and revenues may increase for one reason and decrease for another. Our best estimate of the net effect of these offsetting factors is shown in the table at the bottom of Page 1 of this actuarial note.

Any increases in expenditures as a result of SCR 1 in the first three years of the fiscal measurement period will be less than $100,000.

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	**House**
☐ 13.5.1 ≥ $100,000 Annual Fiscal Cost	☐ 6.8(F) ≥ $500,000 Annual Fiscal Cost
☐ 13.5.2 ≥ $500,000 Annual Tax or Fee Change	☐ 6.8(G) ≥ $500,000 Annual Tax or Fee Change