


**2013 REGULAR SESSION  
ACTUARIAL NOTE SB 13**

<p><b>Senate Bill 13 SLS 13RS-70 Engrossed with Senate Retirement Committee Amendment #891</b></p> <p><b>Author: Senator Gerald Long Date: April 24, 2013</b></p> <p><b>LLA Note SB 13.02</b></p> <p><b>Organizations Affected: Louisiana State Police Retirement System</b></p> <p><b>EG NO IMPACT APV</b></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 SB 13 provides compliance with the requirements of R.S. 24:521.</p> <div style="text-align: center;">   <b>Paul T. Richmond, ASA, MAAA, EA</b>  <b>Manager Actuarial Services</b> </div>
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**Bill Header:** STATE POLICE RET FUND. Provides for powers and duties of the board of trustees. (6/30/13)

**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 to Retirement Systems and OGB	\$0
Total Five Year Fiscal Cost	
Expenditures	\$0
Revenues	\$0

**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.

<b>Actuarial Cost to:</b>	<b><u>Change in the Actuarial Present Value</u></b>
All Louisiana Public Retirement Systems	\$0
Other Post Retirement Benefits	\$0
Total	\$0

**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. Actuarial or fiscal savings are denoted by "Decrease" or a negative number.

<b>EXPENDITURES</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-2018</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>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-2018</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

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**Bill Information:**

**Current Law**

Current law requires the board of trustees for the Louisiana State Police retirement System (STPOL) to take all actions necessary to comply with the provisions of the Internal Revenue Code. It does not contain any provisions giving specific authority to the board of trustees to designate an actuary or any provisions identifying the responsibilities of an actuary for the retirement system.

**Proposed Law**

SB 13 describes the duties and powers of the board of trustees in designating an actuary, the duties and responsibilities of the actuary, and the selection of actuarial assumptions to be used by the retirement system and its actuary. The language for the proposed law parallels long standing language pertaining to other state and statewide systems which has generally been interpreted in the following manner.

1. The board of trustees shall designate an actuary who is a technical advisor to the board on matters regarding the operation of the retirement system.
2. The actuary shall make an actuarial investigation every five years into the mortality, service, and compensation experience of members and beneficiaries of the retirement system and the discount rate. The first such investigation shall be for FYE 2013.
3. The board shall adopt discount rates, mortality tables, service and other tables as necessary based on the results of the quinquennial investigation by the actuary.
4. The actuary shall conduct annual valuations for the retirement system based on the assumptions so adopted by the board of trustees.
5. Actuarial equivalent benefits shall be determined on the basis of a 7.5% interest rate and the RP-2000 Sex Distinct Mortality Table.
6. Any new tables and interest assumptions adopted for actuarial equivalence purposes shall apply only to persons who are active members on the date of adoption.
7. A member's accrued benefit will not be reduced as a result of any change in assumptions used to calculate actuarial equivalence.
8. The board may change the basis for calculating actuarial equivalence by formally adopting such changes as a rule under the Administrative Procedures Act.

**Implications of the Proposed Changes**

Legal counsel for STPOL recommends the enactment of SB 13, or similar instrument, to maintain the retirement system as a tax qualified retirement plan under the Internal Revenue Code.

**Cost Analysis:**

**Analysis of Actuarial Costs**

**Retirement Systems**

The actuarial present value of future benefit requirements will increase because of the provision guaranteeing that a member's accrued benefit will not be reduced. However, the increase is negligible.

**Other Post Retirement Benefits**

There are no actuarial costs associated with SB 13 for post-employment benefits other than pensions.

**Analysis of Fiscal Costs**

There are no fiscal costs associated with SB 13.

**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**

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13.5.1  $\geq$  \$100,000 Annual Fiscal Cost

6.8(F)(1)  $\geq$  \$500,000 Annual Fiscal Cost

13.5.2  $\geq$  \$500,000 Annual Tax or Fee Change

6.8(G)  $\geq$  \$500,000 Annual Tax or Fee Change