


**2014 REGULAR SESSION
ACTUARIAL NOTE SB 6**

<p>Senate Bill 6 SLS 14RS-26 Original</p> <p>Author: Senator Daniel “Danny” Martiny</p> <p>Date: March 16, 2014</p> <p>LLA Note SB 6.01</p> <p>Organizations Affected: Firefighters’ Retirement System</p> <p>OR +\$4,000 FC SG EX</p>	<p>The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of the Note to SB 6 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: FIREFIGHTERS RETIREMENT. Adds an additional retiree representative to the board of trustees. (6/30/14)

Cost Summary:

The estimated actuarial and fiscal impact of the proposed legislation 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	\$0
Total Five Year Fiscal Cost	
Expenditures	\$ 36,000
Revenues	\$ 16,000

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.

<u>Actuarial Cost (Savings) to:</u>	<u>Increase (Decrease) in The Actuarial Present Value</u>
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. Fiscal savings are denoted by “Decrease” or a negative number.

EXPENDITURES	2014-15	2015-16	2016-17	2017-2018	2018-2019	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	4,000	4,000	4,000	4,000	4,000	20,000
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	4,000	4,000	4,000	4,000	16,000
Annual Total	\$ 4,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 36,000

REVENUES	2014-15	2015-16	2016-17	2017-2018	2018-2019	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	0	4,000	4,000	4,000	4,000	16,000
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	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 16,000

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Dual Referral:

Senate

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

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

House

6.8(F)(1): Annual Fiscal Cost \geq \$100,000

6.8(F)(2): Annual Revenue Reduction \geq \$100,000

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

Bill Information:

Current Law

Current law states that the board of trustees for the Firefighters' Retirement System (FRS) consists of ten members determined in the following manner.

1. Two members of the Professional Firefighters Association who are members of the system and elected by a majority of the officers of the association.
2. One member who is a fire chief of a fire department participating in the system and who is a member of the system and elected by a majority of the fire chiefs of the fire departments participating in the system.
3. Two members who are mayors appointed by the Louisiana Municipal Association from municipalities having fire departments participating in the system.
4. One member who is the chairman of the House Retirement Committee, or his designee.
5. One member who is the chairman of the Senate Retirement Committee, or his designee.
6. One member who is a retiree of the system elected by a majority vote of the members of the board.
7. One member who is the state treasurer, or his designee.
8. One member who is the commissioner of administration, or his designee.

Each trustee is entitled to one vote on the board. An affirmative vote by at least five members of the board of trustees is necessary for a decision by the trustees at any meeting of the board.

Proposed Law

Under SB 6, one new member who is elected by a majority vote of the retirees of the system will be added to the FRS board of trustees.

An affirmative vote by at least six members of the board of trustees shall be necessary for a decision by the trustees at any meeting of the board.

Implications of the Proposed Changes

As a result of SB 6 the number of members serving on the FRS board of trustees will increase from ten to eleven and an affirmative vote to approve any motion by the trustees at any meeting of the board will increase from five to six.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

There are no actuarial costs associated with SB 6.

Other Post-Employment Benefits

SB 6 has no effect on actuarial costs associated with post-employment benefits other than pensions.

Analysis of Fiscal Costs

SB 6 will have the following effect on fiscal costs:

Expenditures:

1. FRS expenditures (Agy Self-Generated) will increase about \$4,000 a year because of increased administrative costs.
2. Expenditures from Local Funds are expected to increase about \$4,000 a year to pay for the increase in administrative costs.

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Revenues:

- FRS revenues (Agy Self-Generated) will increase about \$4,000 a year as local employers reimburse the retirement system for administrative costs.

Actuarial Data, Methods and Assumptions

This actuarial note was prepared using actuarial data, methods, and assumptions as disclosed in the most recent actuarial valuation report approved by PRSAC. The actuary signing this note may or may not agree with or endorse these assumptions. He is using this data, methods and assumptions to provide consistency with the actuary for the retirement systems who may be providing testimony to the Senate and House retirement committees.

Actuarial Caveat

There is nothing in SB 6 that will compromise the signing actuary's ability to present an unbiased statement of actuarial opinion.

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.