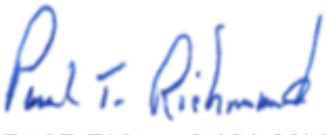


**2014 REGULAR SESSION  
ACTUARIAL NOTE HB 25**

<p><b>House Bill 25 HLS 14RS-473</b> Engrossed with House Retirement Committee Amendment #1976</p> <p><b>Author: Representative Kirk Talbot</b></p> <p><b>Date: March 24, 2014</b></p> <p><b>LLA Note HB 25.02</b></p> <p><b>Organizations Affected:</b> Louisiana State Employees' Retirement System and Teachers' Retirement System of Louisiana</p> <p><b>EG DECREASE APV</b></p>	<p>The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of the Note to HB 25 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:** RETIREMENT/STATE SYSTEMS: Provides relative to membership in the Louisiana State Employees' Retirement System and the Teachers' Retirement System of Louisiana.

**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	Decrease
Total Five Year Fiscal Cost	
Expenditures	\$0
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.

<b>Actuarial Cost (Savings) to:</b>	<b><u>Increase (Decrease) in The Actuarial Present Value</u></b>
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.

<b>EXPENDITURES</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-2018</b>	<b>2018-2019</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>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>5 Year Total</b>
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

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**Bill Information:**

**Current Law**

Under R.S. 11:411(8) of current law, employees of any primary health center established under the Public Service Act are eligible to participate in Louisiana State Employees' Retirement System (LASERS).

Under R.S. 11:701(33)(a) of current law, a "teacher" eligible to become a member of the Teachers' Retirement System of Louisiana (TRSL) includes the following persons:

1. The president and staff of the Louisiana Federation of Teachers who were members of TRSL prior to such employment.
2. The president or secretary and staff of the Louisiana Association of Educators.
3. The director and staff of the Associated Professional Educators of Louisiana.
4. The director and staff of the Louisiana Resource Center for Educators.

**Proposed Law**

Under HB 25, an employee of any primary health center established under the Public Service Act is eligible to participate in LASERS only if he was hired prior to September 1, 2014.

Under HB 25, a "teacher" eligible to become a member of TRSL shall include the following persons:

1. The president and staff of the Louisiana Federation of Teachers hired by the federation before September 1, 2014, who were members of TRSL prior to such employment.
2. The staff of the Louisiana Association of Educators, hired by the association before September 1, 2014. The president of the association may be a member of the system if the association's rules require that he be on official leave from his school system in order to serve as president.
3. The director and staff of the Associated Professional Educators of Louisiana, hired by the association before September 1, 2014.
4. The director and staff of the Louisiana Resource Center for Educators hired by the center before September 1, 2014.

Employees of these organizations hired on or after September 1, 2014, will not be allowed to become members of TRSL.

**Implications of the Proposed Changes**

HB 25 provides that employers of the above named organizations hired on or after September 1, 2014, shall not be members of LASERS or TRSL.

**Cost Analysis:**

**Analysis of Actuarial Costs**

**Retirement Systems**

The actuarial present value of future benefit payments under HB 25 will decrease because employees of the named organizations hired on or after September 1, 2014, will not be able to participate and earn benefit credits under LASERS and TRSL.

HB 25 will not change the current value of the accrued liability or the current value of the unfunded accrued liability. However, the accrued liability in the future will be less than what it would have been otherwise.

Future normal costs as a dollar amount will decrease because fewer persons will be participating in LASERS and TRSL. Future normal costs as a percentage of pay may increase or decrease but given the small number of persons potentially affected, the increase or decrease will be negligible.

Future amortization payments as a dollar amount will not change. However, amortization contributions that would have otherwise been charged to future payrolls for future hires of the named employers will now be charged against the payrolls of employers still participating in LASERS and TRSL. The effect on other employers will be negligible.

**Other Post Retirement Benefits**

It is expected that actuarial costs associated with post-employment benefits other than pensions will decrease if employees of the named employers participate in group life and health insurance programs that provide benefits subsequent to retirement. However, if these employers are providing such benefits, they are doing so as private employers and not through any government programs of the state or its political subdivisions.

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**Analysis of Fiscal Costs**

HB 25 will have the following effects on fiscal costs during the five year measurement period.

Expenditures:

1. Expenditures from General Funds will increase. The named organizations will not be contributing toward amortization costs relative to the payrolls of employees hired after September 1, 2014. The savings realized by the named organizations will be spread over the remaining employers participating in LASERS and TRSL. However, the increase in expenditures will be small to the point of being negligible.
2. Expenditures from LASERS and TRSL (Agy Self-Generated) will decrease to the extent that there are one or more new hires at one or more of the named organizations and one or more of these new employees should terminate employment within the five year fiscal measurement period. Under current law, LASERS and TRSL would refund employee contributions to the terminating employee. Under HB 25, no such refund would be given. This decrease in expenditures is assumed to be negligible.
3. Expenditures from the named organizations will decrease because it will no longer be necessary for the organizations to contribute to LASERS and TRSL. However, because the organizations are private entities, expenditures from General Funds and Local Funds will not change.
4. Expenditures from Local Funds will increase. The named organizations will not be contributing toward amortization costs relative to the payrolls of employees hired after September 1, 2014. The savings realized by the named organizations will be spread over the remaining employers participating in LASERS and TRSL. However, the increase in expenditures will be small to the point of being negligible.

Revenues:

- LASERS and TRSL revenues (Agy Self-Generated) will decrease because it will no longer receive contributions from the named organizations or their employees.

**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 HB 25 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.

**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