


**2014 REGULAR SESSION
ACTUARIAL NOTE HB 23**

<p>House Bill 23 HLS 14RS-367 Engrossed</p> <p>Author: Representative J. Kevin Pearson</p> <p>Date: April 16, 2014</p> <p>LLA Note HB 23.02</p> <p>Organizations Affected: Municipal Employees' Retirement System</p> <p>EG NO IMPACT APV</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 23 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/MUNICIPAL EMP: Provides relative to expenses and funds of the Municipal Employees' Retirement System

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	\$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.

<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	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

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	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 establishes Tier 2 benefit provisions for members of the Municipal Employees' Retirement System (MERS) Plan A first employed on or after January 1, 2013.

Current law provides additional Tier 2 benefit provisions for city marshals and deputy city marshals first employed on or after January 1, 2013, except for those serving in Bossier City or Ruston on June 30, 2003.

The following is a summary of the accounting for administrative expenses for MERS under current law.

1. The minimum employer contribution requirement to the MERS Expense Fund is 0.30% of pay.
2. Plan A employers are currently being charged 0.58% of pay for administrative expenses. Such amounts are deposited into the MERS Expense Fund.
3. Plan B employers are currently being charged 0.58% of pay for administrative expenses. Such amounts are deposited into the MERS Expense Fund.
4. The Expense Fund is not credited with investment earnings.
5. If the total amount in the Expense Fund is insufficient to defray the cost of administrative expenses, then the additional amount needed shall be transferred from the Pension Accumulation Fund.
 - a. The amount transferred from the Pension Accumulation Fund of Plan A and Plan B shall be proportional to the total number of members and beneficiaries of each plan.
 - b. The total amount that may be transferred in one calendar year from the Plan A and Plan B Pension Accumulation Funds to the Expense Fund may not exceed \$20,000.

Proposed Law

HB 23 removes from Tier 2 benefit provisions the exception for marshals serving in Bossier City or Ruston on June 30, 2003. To be a Tier 1 member, a member of MERS must have been first employed on or after January 1, 2013. Therefore, he could not have been in service as a marshal for these cities on June 30, 2003.

The following is a summary of the accounting for administrative expenses for MERS under HB 23.

1. The Expense Fund is eliminated.
2. All administrative expenses of MERS shall be paid from the Plan A Pension Accumulation Account.
3. A transfer of assets will be made from the Plan B Pension Accumulation Fund to the Plan A Pension Accumulation Fund to reimburse Plan A for the pro rata expenses attributable to Plan B.

Implications of the Proposed Changes

HB 23 makes technical corrections to current law for the Municipal Employees' Retirement System (MERS).

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

There is no actuarial cost associated with HB 23.

Other Post-Employment Benefits

There is no actuarial cost associated with HB 23 for post-employment benefits other than pensions.

Analysis of Fiscal Costs

HB 23 will have no effect on fiscal costs during the five year measurement period.

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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. These assumptions and methods are in compliance with actuarial standards of practice. This data, methods and assumptions are being used to provide consistency with the actuary for the retirement system who may also be providing testimony to the Senate and House retirement committees.

Actuarial Caveat

There is nothing in HB 23 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 State Fiscal Cost \geq \$100,000
- 6.8(F)(2): Annual State Revenue Reduction \geq \$500,000
- 6.8(G): Annual Tax or Fee Change \geq \$500,000