


**2014 REGULAR SESSION  
ACTUARIAL NOTE HB 39**

<p><b>House Bill 39 HLS 14RS-378 Enrolled</b></p> <p><b>Author: Representative Pearson</b></p> <p><b>Date: May 16, 2014</b></p> <p><b>LLA Note HB 39.03</b></p> <p><b>Organizations Affected: Louisiana Assessors' Retirement Fund</b></p> <p><b>EN NO IMPACT 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 39 provides compliance with the requirements of R.S. 24:521.</p> <p align="center">   <b>Paul T. Richmond, ASA, MAAA, EA</b>  <b>Manager Actuarial Services</b> </p>
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**Bill Header:** RETIREMENT/ASSESSORS: Provides relative to the Back-Deferred Retirement Option Plan (Back-DROP) in the Louisiana Assessors' Retirement Fund

**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.

<b>Actuarial Cost (Savings) to:</b>	<b><u>Increase (Decrease) 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. 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	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 provides for the Back-Deferred Retirement Option Program (Back-DROP) for the members of Louisiana Assessors' Retirement Fund. An eligible participant in Back-DROP receives his retirement benefit based on age, service, final average compensation, and plan provisions established retroactively on the first date of his Back-DROP period. In addition to monthly benefits, such a member receives a lump sum payment for the period he participated in Back-DROP.

#### **Proposed Law**

HB 39 authorizes the board of trustees to contract with a third party provider to provide self-directed investment accounts for lump sum payments made to participants of Back-DROP. A Back-DROP member electing to participate in the self-directed accounts will waive the following:

1. That benefits payable from the self-directed account are not the obligations of the state or the fund.
2. That the participant and the selected third party provider bear all the liability and responsibility for returns and other rights under the account.
3. That the participant waives his constitutional protections against diminished or impaired benefits.
4. That the participant and the third party provider bear all responsibility for complying with applicable IRS provisions and regulations.
5. That the state and the fund and all agents of the state and the fund are not liable for choices the participant makes as to his investments.

HB 39 will also permit a member to roll eligible distributions to another qualified retirement plan.

#### **Implications of the Proposed Changes**

HB 39 authorizes the Louisiana Assessors' Retirement Fund to contract with a third party provider to provide self-directed investment accounts for members of the system who retire under the Back-DROP program.

### **Cost Analysis:**

#### **Analysis of Actuarial Costs**

##### **Retirement Systems**

Therefore there are no actuarial costs associated with HB 39.

##### **Other Post-Employment Benefits**

There are no actuarial costs associated with HB 39 for post-employment benefits other than pensions.

#### **Analysis of Fiscal Costs**

There are no fiscal costs associated with HB 39.

### **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 39 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.

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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 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