


**2016 REGULAR SESSION
ACTUARIAL NOTE SB 14**

<p>Senate Bill 14 SLS 16RS-41 Enrolled</p> <p>Author: Senator Dan Morrish Date: May 16, 2016</p> <p>LLA Note SB 14.03</p> <p>Organizations Affected: Louisiana State Employees' Retirement System (LASERS)</p> <p>EN INCREASE APV</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 14 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: STATE EMPLOYEE RET. Adds employees of the Chenier Plain Coastal Restoration and Protection Authority to the system membership. (7/1/16)

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 to Retirement Systems	Increase
Total Five Year Fiscal Cost	
Expenditures	Increase
Revenues	Increase

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

Estimated Fiscal Impact:

The chart below shows the estimated fiscal impact of the proposed legislation. This represents the effect on cash flows for the retirement systems and other government entities. 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.

EXPENDITURES	2016-17	2017-18	2018-19	2019-2020	2020-2021	5 Year Total
State General Fund	\$ 0	Increase	Increase	Increase	Increase	Increase
Agy Self Generated	Increase	Increase	Increase	Increase	Increase	Increase
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	Increase	Increase	Increase	Increase	Increase	Increase
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

REVENUES	2016-17	2017-18	2018-19	2019-2020	2020-2021	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	Increase	Increase	Increase	Increase	Increase	Increase
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	Increase	Increase	Increase	Increase	Increase
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

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Bill Information:

Current Law

Employees of the Chenier Plain Coastal Restoration and Protection Authority are not currently members of any Louisiana public retirement system.

Proposed Law

Under SB 14, employees of the Chenier Plain Coastal Restoration and Protection Authority will become members of LASERS effective July 1, 2016.

The Chenier Plain Coastal Restoration and Protection Authority will be required to become a participating employer in LASERS on or before September 30, 2016 or the legislation will be null and void.

Implications of the Proposed Changes

The Chenier Plain Coastal Restoration and Protection Authority is estimated to have one employee who will become a member of LASERS under SB 14.

Cost Analysis:

Analysis of Actuarial Costs

SB 14 contains benefit provisions having an actuarial cost. At least one individual will become a members of LASERS and receive a benefit under SB 14 that he would not have received under current law.

Retirement Systems

There is no accrued liability associated with an employee of the Chenier Plain Coastal Restoration and Protection Authority becoming a member of LASERS. The cost for future benefit accruals will be funded as service credits are earned. Therefore, there will be no increase in the unfunded accrued liability of the plan.

The total LASERS normal cost in dollars will increase when employees of the Chenier Plain Coastal Restoration and Protection Authority become members.

Other Post-Employment Benefits

There are no actuarial costs associated with SB 14 for post-employment benefits other than pensions.

Analysis of Fiscal Costs

SB 14 will have the following effects on fiscal costs during the five year measurement period.

Expenditures:

1. Expenditures from the General Fund will increase to the extent that the state finances the budget for the Chenier Plain Coastal Restoration and Protection Authority. The Chenier Plain Coastal Restoration and Protection Authority will now have to pay the LASERS' employer contribution rate on the salaries of the Authority's employees.
2. Expenditures from LASERS (Age Self-Generated) will increase only an employee of the Authority terminates employment during the five year fiscal measurement period and becomes entitled to a refund of employee contributions.
3. Expenditures from Local Funds will increase because the Authority is either funded through local funds, through the state General Fund, or through a combination thereof. Regardless, Authority resources become local funds as soon as they are received from the state or other supporting entity. Local Fund expenditures will increase to pay for employer contribution requirements to the retirement system.

Revenues:

1. LASERS revenues (Age Self-Generated) will increase by employer and employee contributions.
2. Local Fund revenues from the General Fund will increase to the extent that the state finances the budget for the Chenier Plain Coastal Restoration and Protection Authority.

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 adopted 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.

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Actuarial Caveat

There is nothing in SB 14 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