


**2016 REGULAR SESSION
ACTUARIAL NOTE SB 6**

<p>Senate Bill 6 SLS 16RS-71 Enrolled</p> <p>Author: Senator Barrow Peacock Date: May 24, 2016</p> <p>LLA Note SB 6.03 Organizations Affected: Louisiana School Employees' Retirement System</p> <p>EN NO IMPACT 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 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: Provides relative to contributions of members out of service for five years.

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	\$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 to:</u>	<u>Change 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 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	\$ 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	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	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

Under current law, Louisiana School Employees' Retirement System (LSERS) established certain funds to hold the reserve of the retirement system. For example,

1. The annuity savings fund holds the reserve for employee accumulated contributions.
2. The pension accumulation fund holds the reserve for employer contributions.
3. The pension reserve fund holds the reserve for all pensions and annuities.
4. The survivors' benefit fund holds the reserve if member dies leaving survivors eligible for survivor benefits.

For members who have less than 10 years of service credit and have been out of service for five years, and didn't apply for refund of contributions, current law states that the retirement system should transmit to such member by certified mail, return receipt requested, a notification of his rights regarding the use of the contributions.

If the retirement system does not receive a response within 90 days, then the retirement system transfers the accumulated contributions for such member from the annuity savings fund to the pension accumulation fund.

Upon valid request, employee contributions will be disbursed from the pension accumulation fund.

Proposed Law

SB 6 provides that the retirement system shall include additional information regarding the rights of a terminated member relative to his own contributions.

SB 6 removes the requirement that accumulated employee contributions be transferred to the pension accumulation fund. Instead such contributions will remain in the annuity savings fund and upon valid request, will be disbursed to terminated members from the annuity savings fund.

Implications of the Proposed Changes

SB 6 requires the retirement system to provide additional information regarding the rights of a terminated member to his own contributions. SB 6 further provides that employee contributions will stay in the annuity savings fund.

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

There is one-time charge to prepare and the review the additional material in the notification to such members. We expect this cost to be negligible.

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 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.

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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