


**2017 REGULAR SESSION
ACTUARIAL NOTE HB 38**

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>House Bill 38 HLS 17RS-621 Original</p> <p>Author: Representative Mark Abraham Date: April 4, 2017 LLA Note HB 38.01</p> <p>Organizations Affected: District Attorneys' Retirement System</p> <p>OR NO IMPACT APV</p> | <p>This Note has been prepared by the Actuarial Services Department of the Legislative Auditor with assistance from either the Fiscal Notes staff of the Legislative Auditor or staff of the Legislative Fiscal Office. The attachment of this Note provides compliance with the requirements of R.S. 24:521 as amended by Act 353 of the 2016 Regular Session.</p> <div style="text-align: center;">  Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services </div> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Bill Header: RETIREMENT/DISTRICT ATTY: Provides relative to the authority of the board of trustees of the District Attorneys' Retirement System.

Cost Summary:

The estimated actuarial and fiscal impact of HB 38 on the retirement systems and their plan sponsors is summarized below. Actuarial costs or savings pertain to estimated changes in the *actuarial present value of future benefit payments*. Fiscal costs or savings pertain to changes to all cash flows over the next five year period including retirement system cash flows, OPEB cash flows, or cash flows related to other government entities.

An increase in actuarial costs is denoted throughout the actuarial note by "Increase" or a positive number. Actuarial savings are denoted by "Decrease" or a negative number. An increase in expenditures or revenues (fiscal impact) is denoted by "Increase" or a positive number. A decrease in expenditures or revenues is denoted by "decrease" or a negative number.

Estimated Actuarial Impact:

The top part of the following chart shows the estimated change in the *actuarial present value of future benefit payments and expenses*, if any, attributable to the proposed legislation. The bottom part shows the effect on cash flows.

| Actuarial Costs Pertaining to: | Actuarial Cost | |
|---------------------------------------------|-----------------------|-----------------|
| The Retirement Systems | | \$0 |
| Other Post-Employment Benefits (OPEB) | | 0 |
| Other Government Entities | | <u>0</u> |
| Total | | \$0 |
| | Fiscal Costs | |
| Five Year Fiscal Cost Pertaining to: | Expenses | Revenues |
| The Retirement Systems | \$0 | \$0 |
| Other Post-Employment Benefits | 0 | 0 |
| Other Government Entities | <u>0</u> | <u>0</u> |
| Total | \$0 | \$0 |

Bill Information

Current Law

Current law authorizes the District Attorney's Retirement System (DARS) board of trustees to set the employer contribution rate above the rate otherwise determined in accordance with any of the following actions:

1. Maintain the net direct employer contribution rate in effect at a time that a decrease would otherwise occur, or
2. Require a net direct employer contribution rate of up to three percentage points more than would otherwise occur, or
3. Set the employer contribution rate at any point between the previous year's employer contribution rate and decreased rate that would otherwise occur.

Any such contribution rate adjustment must be made by promulgation of rules adopted in accordance with the provisions of the Administrative Procedure Act. Any such funds described above in excess of the otherwise required contribution are combined with any contribution surplus or offset by any contribution shortfall naturally occurring for the year; and the net excess balance is accumulated in the funding deposit account for future use as provided by law.

In addition, the board of trustees may direct that funds from the funding deposit account be charged for the following purposes:

1. To reduce the present value of future normal costs.
2. To pay all or a portion of any future net direct employer contributions.

**2017 REGULAR SESSION
ACTUARIAL NOTE HB 38**

3. To provide for a cost-of-living adjustment, pursuant to applicable law.

Any such action by the board of trustees must be exercised by promulgation of rules adopted in accordance with the provisions of the Administrative Procedure Act.

Proposed Law

HB 38 retains the board's authority to set the contribution rate and to take action on how funds in the funding deposit account will be charged. However it repeals the requirement that the board of trustees of DARS promulgate rules in accordance with the Administrative Procedure Act in order to set an employee contribution rate adjustment or to charge the funding deposit account.

Implications of the Proposed Changes

HB 38 will allow the board of trustees for DARS to set employee contribution rate adjustments and to charge the funding deposit account in accordance with plan provisions, but without promulgating rules in accordance with the Administrative Procedure Act.

I. ACTUARIAL ANALYSIS SECTION

**A. Analysis of Actuarial Costs
(Prepared by LLA)**

This section of the actuarial note pertains to the *actuarial present value cost or savings* associated with the retirement systems, with OPEB, and with other government entities.

1. Retirement Systems

The actuarial cost of HB 38 associated with the retirement systems is estimated to be \$0. Our analysis is summarized below.

HB 38 changes the way decisions are made, but does not affect the decisions that can be made or anything else about the plan provisions, and therefore does not have an effect on the actuarial cost of the system.

2. Other Post-Employment Benefits (OPEB)

The actuarial cost of HB 38 associated with OPEB, including retiree health insurance premiums, is estimated to be \$0. Our analysis is summarized below.

The liability for post-retirement medical insurance protection provided to retirees by the Office of Group Benefits or other insurers is not affected by the repeal of the requirement to set an employee contribution rate adjustment or to charge the funding deposit account in accordance with the Administrative Procedure Act.

3. Other Government Entities

The actuarial cost of HB 38 associated with government entities other than those identified in HB 38, is estimated to be \$0. Our analysis is summarized in Section II, Subsection C.

**B. Actuarial Data, Methods and Assumptions
(Prepared by LLA)**

Unless indicated otherwise, the actuarial note for HB 38 was prepared using actuarial data, methods and assumptions as disclosed in the most recent actuarial valuation reports adopted by PRSAC. The 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.

**C. Actuarial Caveat
(Prepared by LLA)**

There is nothing in HB 38 that will compromise the signing actuary's ability to present an unbiased statement of actuarial opinion.

II. FISCAL ANALYSIS SECTION

This section of the actuarial note pertains to fiscal costs or savings associated with the retirement systems (Table A), with OPEB (Table B), and with other fiscal costs or savings attributable to government entities not associated with either the retirement systems or OPEB (Table C). Fiscal costs or savings reflect all forms of cash flow including benefit costs or savings, administrative costs or savings, or any other identifiable type of fiscal cost or savings. The total effect of HB 38 on fiscal costs, fiscal savings, or cash flows is presented in Table D.

**2017 REGULAR SESSION
ACTUARIAL NOTE HB 38**

**A. Estimated Fiscal Impact – Retirement Systems
(Prepared by LLA)**

1. Narrative

Table A shows the estimated fiscal impact of the proposed legislation on the retirement systems and the government entities that sponsor them. A fiscal cost is denoted by “Increase” or a positive number. Fiscal savings are denoted by “Decrease” or a negative number. A revenue increase is denoted by “Increase” or a positive number. A revenue decrease is denoted by “Decrease” or a negative number.

Table A shows the estimated fiscal impact of the proposed legislation on the retirement systems and the government entities that sponsor them. The impact on fiscal information in Table A includes administrative costs or savings associated with the retirement system and the sponsoring government entities.

The effect that HB 38 will have on retirement related fiscal costs and revenues during the five year measurement period is shown in Table A.

Fiscal Costs for the Retirement Systems and Their Sponsors: Table A

| EXPENDITURES | 2017-18 | 2018-19 | 2019-2020 | 2020-2021 | 2021-2022 | 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 | 2017-18 | 2018-19 | 2019-2020 | 2020-2021 | 2021-2022 | 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 |

**B. Estimated Fiscal Impact – OPEB
(Prepared by LLA)**

1. Narrative

Table B shows the estimated fiscal impact of HB 38 on costs associated with OPEB and the government entities that sponsor these benefits. Fiscal costs in Table B include administrative costs associated with the government entity sponsoring the OPEB program. A fiscal cost is denoted by “Increase” or a positive number. Fiscal savings are denoted by “Decrease” or a negative number. A revenue increase is denoted by “Increase” or a positive number. A revenue decrease is denoted by “Decrease” or a negative number.

The effect that HB 38 will have on OPEB related fiscal costs and revenues during the five year measurement period is shown in Table B.

OPEB Fiscal Cost: Table B

| EXPENDITURES | 2017-18 | 2018-19 | 2019-2020 | 2020-2021 | 2021-2022 | 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 | 2017-18 | 2018-19 | 2019-2020 | 2020-2021 | 2021-2022 | 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 |

**2017 REGULAR SESSION
ACTUARIAL NOTE HB 38**

**C. Estimated Fiscal Impact – Other Government Entities (unrelated to the retirement systems or OPEB)
(Prepared by Mike Battle, Audit Manager for the LLA)**

1. Narrative

From time to time, legislation is proposed that has an indirect effect on cash flows associated with other government entities, unrelated to the retirement systems or OPEB. Table C shows the estimated fiscal impact of HB 38 on such government entities. A fiscal cost is denoted by “Increase” or a positive number. Fiscal savings are denoted by “Decrease” or a negative number.

Fiscal Costs for Other Government Entities: Table C

| EXPENDITURES | 2017-18 | 2018-19 | 2019-2020 | 2020-2021 | 2021-2022 | 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 | 2017-18 | 2018-19 | 2019-2020 | 2020-2021 | 2021-2022 | 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 |

The effect that HB 38 will have on fiscal costs and revenues for other governmental entities during the five year measurement period is shown in Table C and in Items 2 and 3 below.

2. Expenditures:

There is no anticipated indirect material effect on the expenditures of individual district attorney offices as a result of this measure. The bill repeals the requirement that the board of trustees of the District Attorneys’ Retirement System promulgate rules in accordance with the Administrative Procedure Act in order to set an employee contribution rate adjustment or to charge the funding deposit account. Based on information from the La. District Attorneys Association and District Attorneys’ Retirement System, there would be no fiscal impact to individual district attorney offices.

3. Revenues:

There is no anticipated indirect material effect on the revenues of individual district attorney offices as a result of this measure. The bill repeals the requirement that the board of trustees of the District Attorneys’ Retirement System promulgate rules in accordance with the Administrative Procedure Act in order to set an employee contribution rate adjustment or to charge the funding deposit account and, therefore, this bill will have no fiscal impact on revenues.

**D. Estimated Fiscal Impact – All Retirement Systems, OPEB, and All Government Entities
(Prepared by LLA)**

1. Narrative

Table D shows the estimated fiscal impact of HB 38 on all government entities within the state of Louisiana. Cell values in Table D are the sum of the respective cell values in Table A, Table B, and Table C. A fiscal cost is denoted by “Increase” or a positive number. Fiscal savings are denoted by “Decrease” or a negative number. A revenue increase is denoted by “Increase” or a positive number. A revenue decrease is denoted by “Decrease” or a negative number.

**2017 REGULAR SESSION
ACTUARIAL NOTE HB 38**

Total Fiscal Cost: Table D (Cumulative Costs from Tables A, B, & C)

| EXPENDITURES | 2017-18 | 2018-19 | 2019-2020 | 2020-2021 | 2021-2022 | 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 | 2017-18 | 2018-19 | 2019-2020 | 2020-2021 | 2021-2022 | 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 |

Credentials of the Signatory Staff:

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.

Mike Battle, Audit Manager for the Louisiana Legislative Auditor has supervised the preparation of the fiscal analyses contained in Section II; Subsection C.

Information Pertaining to Article (10)(29(F) of the Louisiana Constitution

HB 38 contains a retirement system benefit provision having an actuarial cost.

HB 38 only contains provisions relative to plan administration. It does not contain any benefit provisions.

Dual Referral Relative to Total Fiscal Costs or Total Cash Flows:

The information presented below is based on information contained in Table D for the first three years following the 2017 regular session.

Senate

House

13.5.1 Applies to Senate or House Instruments.
If an annual fiscal cost \geq \$100,000, then bill is dual referred to:
Dual Referral: Senate Finance

6.8F Applies to Senate or House Instruments.
If an annual General Fund fiscal cost \geq \$100,000, then the bill is dual referred to:
Dual Referral to Appropriations

13.5.2 Applies to Senate or House Instruments.
If an annual tax or fee change \geq \$500,000, then the bill is dual referred to:
Dual Referral: Revenue and Fiscal Affairs

6.8G Applies to Senate Instruments only.
If a net fee decrease occurs or if an increase in annual fees and taxes \geq \$500,000, then the bill is dual referred to:
Dual Referral: Ways and Means