


**2018 REGULAR SESSION  
ACTUARIAL NOTE HB 17**

<p>House Bill 17 HLS 18RS-172 Enrolled</p> <p>Author: Representative Carpenter Date: May 10, 2018 LLA Note HB 17.03</p> <p>Organizations Affected: Registrars of Voters Employees’ Retirement System</p> <p>EN INCREASE 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>
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**Bill Header:** RETIREMENT/REGISTR VOTER: Provides for the repayment of refunded contributions by a member of the Registrars of Voters Employees’ Retirement System.

**Cost Summary:**

The estimated actuarial and fiscal impact of HB 17 on the retirement systems and their plan sponsors is summarized below. Actuarial costs 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:		<u>Actuarial Cost</u>
The Retirement Systems		Increase
Other Post Employment Benefits (OPEB)		Negligible
Other Government Entities		<u>0</u>
Total		Increase
Five Year Fiscal Cost Pertaining to:	<u>Expenses</u>	<u>Revenues</u>
The Retirement Systems	Increase	Increase
Other Post Employment Benefits	Negligible	Negligible
Other Government Entities	<u>Negligible</u>	<u>0</u>
Total	Increase	Increase

**Bill Information**

**Current Law**

Current law provides that any member of the Registrar of Voters Employees’ Retirement System (ROVERS) who ceases to be an employee, except by death or retirement, may apply for and obtain a refund of his accumulated contributions.

A former member of ROVERS who returns as an employee in a position requiring membership in ROVERS after withdrawing his employee contributions may repay the amount he withdrew, plus interest as long as he has contributed to ROVERS for *four or more years* after returning as a member. Such a member will be given credit for the service he forfeited when he withdrew his contributions.

**Proposed Law**

HB 17 will allow a former member who has withdrawn his contributions and then returns as a member of the system to repay the amount he withdrew, plus interest, *immediately* upon returning as a member.

**Implications of the Proposed Changes**

HB 17 eliminates the four-year waiting period. A returning member will be allowed to receive credit for the service he forfeited when he withdrew his contributions immediately upon returning as a member and repaying the withdrawn contributions.

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**I. ACTUARIAL ANALYSIS SECTION**

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

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

**1. Retirement Systems**

The actuarial present value cost of HB 17 associated with ROVERS is expected to increase. Our analysis is summarized below.

As a general rule, the value of the prior service credits granted exceeds the value of the employee's contributions plus interest. If the waiting period is eliminated:

- a. Prior service purchases will occur earlier than under current law.
- b. Members with prior service will satisfy benefit eligibility criteria earlier than under current law.
- c. ROVERS will be granting benefit rights that have a greater value than the cost of the prior service purchase.

Therefore, the actuarial present value of future benefits will increase to the extent that members exercise their repayment rights within the first four years following a return to service.

**2. Other Post-Employment Benefits (OPEB)**

The actuarial present value cost of HB 17 associated with OPEB, including retiree health insurance premiums, is estimated to be negligible. Our analysis is summarized below.

A ROVERS member may purchase prior service credits under the HB 17 during the four year waiting period that exists under current law. Such a member may be able to retire earlier than he would have been able to otherwise and the liability for post-retirement medical insurance protection provided to retirees may increase.

The effect of HB 17 on the present value of future OPEB benefits is likely to increase, but the increase is expected to be negligible.

**3. Other Government Entities**

The actuarial cost of HB 17 associated with government entities other than those identified in HB 17, is estimated to be \$0.

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

Unless indicated otherwise, the actuarial note for HB 17 was prepared using actuarial data, methods, and assumptions as disclosed in the most recent actuarial valuation report 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 the LLA)**

There is nothing in HB 17 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 associated with government entities not associated with either the retirement systems or OPEB (Table C). Fiscal costs or savings in Table A include administrative costs associated with the retirement systems and the sponsoring government entities. The total effect of HB 17 on fiscal costs, fiscal savings, or cash flows is presented in Table D.

**A. Estimated Fiscal Impact – Retirement Systems  
(Prepared by the 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. Fiscal costs and savings include both administrative and actuarial costs and savings. 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.

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**Retirement System Fiscal Cost: Table A**

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</b>	<b>5 Year Total</b>
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

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</b>	<b>5 Year Total</b>
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	0	0	0	0	0
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

HB 17 will have the following effects on retirement related fiscal costs and revenues during the five year measurement period.

2. Expenditures:

- a. Expenditures from ROVERS (Agy Self-Generated) are expected to increase for the reasons discussed in the Actuarial Analysis Section.
- b. Expenditures from Local Funds will increase to the extent that the ROVERS employer contribution requirement rate increases

3. Revenues:

- a. ROVERS revenues (Agy Self-Generated) will increase to the extent that members purchase prior service credits earlier than they would have otherwise.
- b. ROVERS revenues (Agy Self-Generated) will increase because employer contribution requirements will increase.

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

1. Narrative

Table B shows the estimated fiscal impact of HB 17 on actuarial costs or savings associated with OPEB and the government entities that sponsor these benefit programs. Fiscal costs or savings 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.

**OPEB Fiscal Cost: Table B**

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</b>	<b>5 Year Total</b>
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	Negligible	Negligible	Negligible	Negligible	Negligible
Annual Total	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</b>	<b>5 Year Total</b>
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	0	Negligible	Negligible	Negligible	Negligible	Negligible
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	Negligible	Negligible	Negligible	Negligible	Negligible

HB 17 will have an effect on OPEB related fiscal costs and revenues during the five year measurement period. However, the effect is expected to be negligible.

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**C. Estimated Fiscal Impact: Other Government Entities (unrelated to the retirement systems or OPEB)  
(Prepared by Bradley Cryer, Assistant Legislative Auditor)**

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 (administrative and actuarial) of HB 17 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**

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</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	Negligible	Negligible	Negligible	Negligible	Negligible
Annual Total	\$ 0	Negligible	Negligible	Negligible	Negligible	Negligible

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</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

HB 17 will have the following effects on fiscal costs and revenues related to other government entities during the five year measurement period.

2. Expenditures:

This bill may have an indirect impact on costs associated with hiring and/or retaining staff by ROVERS employers because the bill provides an incentive for an employee to rejoin a ROVERS employer but removes the requirement to remain with the employer for 4 years to repurchase past service credit. The indirect cost to ROVERS employers is considered negligible.

3. Revenues:

This bill is not expected to have a fiscal impact.

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

1. Narrative

Table D shows the estimated fiscal impact of HB 17 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.

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

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</b>	<b>5 Year Total</b>
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	Negligible	Increase	Increase	Increase	Increase	Increase
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-23</b>	<b>5 Year Total</b>
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	0	0	0	0	0
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

**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.

Bradley Cryer, Assistant Legislative Auditor, has supervised the preparation of the fiscal analyses contained herein.

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

HB 17 contains a retirement system benefit provision having an actuarial cost.

Some former members of ROVERS will receive a larger benefit with the enactment of HB 17 than what they would have received without HB 17.

**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 2018 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**