


**2013 REGULAR SESSION  
ACTUARIAL NOTE HB 727**

<p>House Bill 727 HLS 13RS-2312 Engrossed</p> <p><b>Author: Representative Alan Seabaugh</b> <b>Date: May 16, 2013</b></p> <p>LLA Note HB 727.02</p> <p><b>Organizations Affected:</b> <b>Teachers' Retirement System of Louisiana</b></p> <p>EG DECREASE 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 HB 727 provides compliance with the requirements of R.S. 24:521.</p> <div style="text-align: center;">   <b>Paul T. Richmond, ASA, MAAA, EA</b>  <b>Manager Actuarial Services</b> </div>
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**Bill Header:** RETIREMENT/TEACHERS: Provides relative to membership in the Teachers' Retirement System of Louisiana

**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	Decrease
Total Five Year Fiscal Cost	
Expenditures	\$0
Revenues	Decrease

**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><u>Actuarial Cost/(Savings) to:</u></b>	<b><u>Change in the Actuarial Present Value</u></b>
All Louisiana Public Retirement Systems	Decrease
Other Post Retirement Benefits	\$0
Total	Decrease

**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.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-2018	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	2013-14	2014-15	2015-16	2016-17	2017-2018	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
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	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

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**Bill Information:**

**Current Law**

Under R.S. 11:701(33)(viii) of current law, a “teacher” eligible to become a member of the Teachers’ Retirement System of Louisiana (TRSL) includes the following persons:

1. The president and staff of the Louisiana Federation of Teachers who were members of TRSL prior to such employment.
2. The president or secretary and staff of the Louisiana Association of Educators.
3. The director and staff of the Associated Professional Educators of Louisiana.
4. The director and staff of the Louisiana Resource Center for Educators.

**Proposed Law**

Under HB 727, a “teacher” eligible to become a member of TRSL shall include the following persons:

1. The president and staff of the Louisiana Federation of Teachers hired by the federation before September 1, 2013, who were members of TRSL prior to such employment.
2. The president or secretary and staff of the Louisiana Association of Educators, hired by the association before September 1, 2013.
3. The director and staff of the Associated Professional Educators of Louisiana, hired by the association before September 1, 2013.
4. The director and staff of the Louisiana Resource Center for Educators hired by the center before September 1, 2013.

Employees of these associations hired on or after September 1, 2013, will not be allowed to become members of TRSL.

**Implications of the Proposed Changes**

HB 727 provides that employers of the above named organizations hired on or after September 1, 2013, shall not be members of TRSL.

**Cost Analysis:**

**Analysis of Actuarial Costs**

**Retirement Systems**

The actuarial present value of future benefit payments under HB 727 will decrease because employees of the named organizations hired on or after September 1, 2013, will not be able to participate and earn benefit credits under TRSL.

HB 727 will not change the current value of the accrued liability or the current value of the unfunded accrued liability. However, the accrued liability in the future will be less than what it would have been otherwise.

Future normal costs as a dollar amount will decrease because fewer persons will be participating in TRSL. Future normal costs as a percentage of pay may increase or decrease but given the small number of persons potentially affected, the increase or decrease will be negligible.

Future amortization payments as a dollar amount will not change. However, amortization contributions that would have otherwise been charged to future payrolls for future hires of the named employers will now be charged against the payrolls of employers still participating in TRSL. The effect on other employers will be negligible.

**Other Post Retirement Benefits**

It is expected that actuarial costs associated with post-employment benefits other than pensions will decrease if employees of the named employers participate in group life and health insurance programs that provide benefits subsequent to retirement. However, if these employers are providing such benefits, they are doing so as private employers and not through any government programs of the state or its political subdivisions.

**Analysis of Fiscal Costs**

HB 727 will have the following effects on fiscal costs during the five year measurement period.

Expenditures:

1. Expenditures from TRSL (Agy Self-Generated) will decrease to the extent that there are one or more new hires at one or more of the named organizations and one or more of these new employees should terminate employment within the five

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year fiscal measurement period. Under current law, TRSL would refund employee contributions to the terminating employee. Under HB 727, no such refund would be given. This decrease in expenditures is assumed to be negligible.

2. Expenditures from the named organizations will decrease because it will no longer be necessary for the organizations to contribute to TRSL. However, because the organizations are private entities, expenditures from local funds will not change.
3. Expenditures from Local Funds will increase. The named organizations will not be contributing toward amortization costs relative to the payrolls of employees hired after September 1, 2013. The savings realized by the named organizations will be spread over the remaining employers participating in TRSL. However, the increase in expenditures will be small to the point of being negligible.

Revenues:

- TRSL revenues (Agy Self-Generated) will decrease because it will no longer receive contributions from the named organizations or their employees.

**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  $\geq$  \$100,000 Annual Fiscal Cost

13.5.2  $\geq$  \$500,000 Annual Tax or Fee Change

**House**

6.8(F)  $\geq$  \$500,000 Annual Fiscal Cost

6.8(G)  $\geq$  \$500,000 Annual Tax or Fee Change