


**2013 REGULAR SESSION
ACTUARIAL NOTE HB 65**

<p>House Bill 65 HLS 13RS-65 Enrolled</p> <p>Author: Representative Robert A. Johnson Date: June 13, 2013</p> <p>LLA Note HB 65.05</p> <p>Organizations Affected: Hazardous Duty Services Plan in the Louisiana State Employees' Retirement System</p> <p>EN +\$10,000 FC GF EX</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 65 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: RETIREMENT/STATE EMPS: Provides relative to the payment of insurance premiums for certain retirees of the Hazardous Duty Services Plan in the La. State Employees' Retirement System

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	Increase
Total Five Year Fiscal Cost	
Expenditures	\$50,000
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/(Savings) to:</u>	<u>Change in the Actuarial Present Value</u>
All Louisiana Public Retirement Systems	\$0
Other Post Retirement Benefits	Increase
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 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	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 50,000
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	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 50,000

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	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, insurance premiums for retirees of the Hazardous Duty Plan of the Louisiana State Employees' Retirement System (LASERS), who participate in benefit programs offered by the Office of Groups Benefits (OGB), are partially paid for by the state. The premium supplement is available to a retiree of the Hazardous Duty Plan if he satisfies one of the following conditions.

1. He retires with at least 20 years of service and receives an actuarially reduced benefit. The premium supplement is paid by his former employer regardless of whether or not any of the service is transferred service.
2. He retires with an unreduced benefit and none of his service is transferred service. Eligibility requirements for an unreduced benefit are summarized below.
 - a. Any age with 25 or more years of service, or
 - b. Age 55 or later with 12 years or more years of service.

In other words, a member of the Hazardous Duty Plan with transferred service can receive the premium supplement only if he retires early with an actuarially reduced benefit.

Proposed Law

Under HB 65, a person who retired from the Hazardous Duty plan in January 2012 and who's last employing agency was Avoyelles Correctional Center will be entitled to the premium supplement even though he retired with transferred service and did not retire early with reduced benefits.

Implications of the Proposed Changes

If HB 65 is enacted, it is likely that one retiree not currently receiving a premium supplement will begin receiving a supplement beginning for the month of June 2013.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

Actuarial costs associated with LASERS are not affected by HB 65.

Other Post Retirement Benefits

If HB 65 is enacted, the Avoyelles Correctional Center will pay more in premiums supplements than it does currently. The annual increase is estimated to be about \$10,000 a year.

Analysis of Fiscal Costs

HB 65 will have the following effects on fiscal costs during the five year measurement period.

Expenditures:

- Expenditures from the General Fund will increase about \$10,000 in FYE 2014 and each year thereafter for as long as the individual affected by HB 65 survives.

Revenues:

- OGB revenues (Agy Self-Generated) are not expected to change. Insurance premiums will be paid regardless of whether the member is active or retired and regardless of whether it is paid by the employee, the employer, or partially by both.

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 \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