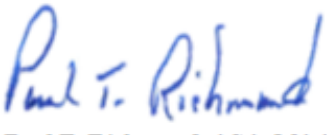


**2014 REGULAR SESSION  
ACTUARIAL NOTE HB 5**

<p><b>House Bill 5 HLS 14RS-321 Engrossed with House Retirement Committee Amendment #3210</b></p> <p><b>Author: Representative J. Kevin Pearson</b></p> <p><b>Date: April 16, 2014</b></p> <p><b>LLA Note HB 5.02</b></p> <p><b>Organizations Affected: Municipal Employees' Retirement System</b></p> <p><b>EG NO IMPACT APV</b></p>	<p>The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of the Note to HB 5 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/MUNICIPAL EMP: Provides relative to the composition of the board of trustees of the Municipal 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	\$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.

<b>Actuarial Cost (Savings) to:</b>	<b><u>Increase (Decrease) in The Actuarial Present Value</u></b>
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 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.

<b>EXPENDITURES</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-2018</b>	<b>2018-2019</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

<b>REVENUES</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-2018</b>	<b>2018-2019</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

## **2014 REGULAR SESSION ACTUARIAL NOTE HB 5**

### **Bill Information:**

#### **Current Law**

Current law states that the board of trustees for the Municipal Employees Retirement System (MERS) consists of eleven members determined in the following manner.

1. Six active and contributing members of MERS with at least 10 or more years of service, elected by system members.
2. One member who is the president of the Louisiana Municipal Association, ex officio.
3. One member who is the chairman of the Senate Retirement Committee, ex officio, or his designee.
4. One member who is the chairman of the House Retirement Committee, ex officio, or his designee.
5. One member who is the commissioner of administration, or his designee.
6. One member who is the state treasurer, or his designee.

#### **Proposed Law**

HB 5 states the board of trustees for MERS is composed in the following manner.

1. Three members elected from the active members of the system each of whom is an elected official elected to office in accordance with the Louisiana Election Code and has at least 10 or more years of service.
2. Three members elected from the active members of the system who are not elected officials elected to office, each of whom has at least 10 or more years of service.
3. One member who is the president of the Louisiana Municipal Association, or his designee.
4. One member who is the chairman of the Senate Retirement Committee, ex officio, or his designee.
5. One member who is the chairman of the House Retirement Committee, ex officio, or his designee.
6. One member who is the commissioner of administration, or his designee.
7. One member who is the state treasurer, or his designee.

A trustee elected to serve as one of the six active members of the system may continue to serve his full term if he remains a member of the system regardless of change in employment which qualified him for such position.

Under HB 5, no participating employer shall have more than two elected trustees serving on the board at the same time.

Vacancies in positions that have not yet had an election may be filled by an elected or nonelected official. Any vacancy filled after the effective date of this Act shall comply with current law. The effective date of the proposed legislation is February 27, 2015.

#### **Implications of the Proposed Changes**

As a result of HB 5 the composition of elected trustees of MERS is established as three elected official trustees and three nonelected official trustees. Trustees elected pursuant to proposed legislation may continue to serve his full term if he remains a member of the system, regardless of change in employment which would otherwise disqualify him from such position. More than two trustees from the same municipality are prohibited from serving on the board at the same time under the proposed legislation. HB 5 also establishes certain regularly scheduled elections in the future to phase-in elected official and nonelected official trustees, as well as, provisions regarding filling vacancies in trustee positions.

### **Cost Analysis:**

#### **Analysis of Actuarial Costs**

##### **Retirement Systems**

There are no actuarial costs associated with HB 5.

##### **Other Post-Employment Benefits**

HB 5 has no effect on actuarial costs associated with post-employment benefits other than pensions.

#### **Analysis of Fiscal Costs**

HB 5 will have no effect on fiscal costs during the five year measurement period.

### **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**

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There is nothing in HB 5 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.

**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 State Fiscal Cost  $\geq$  \$100,000
- 6.8(F)(2): Annual State Revenue Reduction  $\geq$  \$500,000
- 6.8(G): Annual Tax or Fee Change  $\geq$  \$500,000