


**2015 REGULAR SESSION  
ACTUARIAL NOTE HB 47**

<p><b>House Bill 47 HLS 15RS-617</b> Engrossed with House Retirement Committee Amendment #2254</p> <p><b>Author: Representative Karen G. St. Germain</b> <b>Date: May 4, 2015</b></p> <p><b>LLA Note HB 47.02</b></p> <p><b>Organizations Affected:</b> <b>Firefighters' Retirement System</b></p> <p><b>EG NO IMPACT APV</b></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 47 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:** PROPERTY/COMMUNITY: Prohibits certain post-divorce earnable compensation in the Firefighters' Retirement System from being included in a former spouse's portion of community property

**Cost Summary:**

The estimated actuarial and fiscal impact of the proposed legislative 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 to Retirement Systems	\$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><u>Actuarial Cost to:</u></b>	<b><u>Change 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 the retirement systems and other government entities. Fiscal costs include estimated administrative costs and costs associated with other fiscal concerns. A fiscal cost is denoted by "Increase" or a positive number. Actuarial or fiscal savings are denoted by "Decrease" or a negative number.

<b>EXPENDITURES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-2020</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>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-2020</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

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**Bill Information:**

**Current Law**

Current law defines “earnable compensation” for the Firefighters’ Retirement System (FRS) as:

- 1) The full amount of compensation earned by the employee on a regular tour of duty.
- 2) Supplemental pay paid by the state not including overtime.

A member’s final average compensation used in the benefit formula is based on the average of the highest three years of earnable compensation.

**Proposed Law**

Under HB 47 pertains to the division of pension benefits under community property laws. HB 47 specifies that any increase in earnable compensation, following the termination of the marriage, attributable to a member passing both a written examination and a working test shall be excluded from the calculation of the former spouse’s share of community property.

**Implications of the Proposed Changes**

HB 47 reduces the former’s spouse share of community property attributable to benefits payable from FRS.

**Cost Analysis:**

**Analysis of Actuarial Costs**

HB 47 does not contain any benefit provisions having an actuarial cost.

**Retirement Systems**

HB 47 provides guidance on the calculation of a former spouse’s share of community property relating to pension benefits payable from FRS. It has no effect on the calculation of the pension benefit itself. Therefore, there are no actuarial costs associated with HB 47.

**Other Post-Employment Benefits**

There are no actuarial costs associated with HB 47 for post-employment benefits other than pensions.

**Analysis of Fiscal Costs**

There are no fiscal costs associated with HB 47.

**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 adopted by PRSAC.

**Actuarial Caveat**

There is nothing in HB 47 that will compromise the signing actuary’s ability to present an unbiased statement of actuarial opinion.

**Actuarial Credentials:**

Paul T. Richmond is the actuary 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 Fiscal Cost  $\geq$  \$100,000
- 6.8(F)(2): Annual Revenue Reduction  $\geq$  \$100,000
- 6.8(G): Annual Tax or Fee Change  $\geq$  \$500,000