


**2015 REGULAR SESSION
ACTUARIAL NOTE HB 48**

<p>House Bill 48 HLS 15RS-373 Engrossed with House Retirement Committee Amendment #2256</p> <p>Author: Representative Major Thibaut Date: May 6, 2015</p> <p>LLA Note HB 48.02</p> <p>Organizations Affected: Louisiana Assessors' Retirement Fund</p> <p>EG NO IMPACT 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 48 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/ASSESSORS: Provides relative to the authority of the Louisiana Assessors' Retirement Fund to fund cost-of-living increases with funding deposit account balances.

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.

Actuarial Cost to:	<u>Change in the Actuarial Present Value</u>
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.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	2015-16	2016-17	2017-18	2018-19	2019-20	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

Current law provides for the establishment of a Funding Deposit Account (FDA) in each of the following statewide retirement systems:

1. The Assessors' Retirement Fund (ASSR).
2. The Clerks' of Court Retirement and Relief Fund (CCRS).
3. The Municipal Employees' Retirement System of Louisiana (MERS).
4. The Parochial Employees' Retirement System of Louisiana (PERS).
5. The Registrars of Voters Employees' Retirement System (RVRS).

Dollars set aside in this account may be used for the following purposes.

1. Pay down the system's unfunded accrued liability (UAL).
2. Decrease the employer contribution rate.

Proposed Law

Under HB 48, monies in each statewide systems' FDA may also be used to provide for cost of living increases (COLAs).

Implications of the Proposed Changes

Certain statewide retirement systems will be authorized to fund COLAs with the assets the system has set aside in the FDA.

Cost Analysis:

Analysis of Actuarial Costs

HB 48 does not contain any benefit provision having an actuarial cost.

Retirement Systems

HB 48 is permissive in that it allows certain statewide retirement systems to use assets in the Funding Deposit Account (FDA) to pay for COLAs. It does not require that it be used for that purpose.

The existence of FDA assets has no effect on employer contribution requirements as calculated by the system actuary. These assets were raised from extra contributions made by employers in order to provide a reserve. This reserve is currently used at the discretion of the board of trustees to reduce fluctuations in employer contributions from year to year. If the board of trustees is also allowed to use FDA assets as the source of funding for COLAs, then its ability to provide contribution stability will be reduced.

HB 48 does not itself establish any additional liability. However, it does provide the board of trustees with more flexibility that it may use to pre-fund COLAs while at the same time properly managing the level of employer contributions required from participating employers.

Other Post-Employment Benefits

There are no actuarial costs associated with HB 48 for post-employment benefits other than pensions.

Analysis of Fiscal Costs

HB 48 will have the following effects on fiscal costs during the five year measurement period.

Expenditures:

- Expenditures will not change as a result of the proposed legislation.

Revenues:

- Revenues will not change as a result of the proposed legislation.

Each of the boards of trustees of such statewide retirement systems already has the authority under current law to maintain employer contribution rates above the minimum required contribution rate. HB 48 does change the rules pertaining to this authority.

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.

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Actuarial Caveat

There is nothing in HB 48 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