


2016 REGULAR SESSION
ACTUARIAL NOTE SB 16

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| Senate Bill 16 SLS 16RS-25 Original Author: Senator Barrow Peacock and Representative Tony Bacala Date: March 19, 2016 LLA Note SB 16.01 Organizations Affected: Sheriffs' Pension and Relief Fund OR INCREASE APV | This Note has been prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of this Note to SB 16 provides compliance with the requirements of R.S. 24:521  Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services |
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Bill Header: SHERIFFS PEN/RELIEF FUND. Provides for a benefit for survivors of members killed in the line of duty by an intentional violent act. (6/30/16)

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.

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|--------------------------------------|----------|
| Actuarial Cost to Retirement Systems | Increase |
| Total Five Year Fiscal Cost | |
| Expenditures | Increase |
| Revenues | Increase |

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.

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| Actuarial Cost to: | <u>Change in the Actuarial Present Value</u> |
| All Louisiana Public Retirement Systems | Increase |
| Other Post Retirement Benefits | \$0 |
| 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 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 | 2016-17 | 2017-18 | 2018-19 | 2019-2020 | 2020-2021 | 5 Year Total |
|--------------------|----------|----------|----------|-----------|-----------|--------------|
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Agy Self Generated | Increase | Increase | Increase | Increase | Increase | Increase |
| Stat Deds/Other | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Funds | Increase | Increase | Increase | Increase | Increase | Increase |
| Annual Total | Increase | Increase | Increase | Increase | Increase | Increase |

| REVENUES | 2016-17 | 2017-18 | 2018-19 | 2019-2020 | 2020-2021 | 5 Year Total |
|--------------------|----------|----------|----------|-----------|-----------|--------------|
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Agy Self Generated | Increase | Increase | Increase | Increase | Increase | Increase |
| 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 | Increase | Increase | Increase | Increase | Increase | Increase |

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Bill Information:

Current Law

Sheriffs' Pension and Relief Fund (SPRF) provides the following death benefits to survivors of a law enforcement officer killed in the line of duty, or who died from the immediate effects of any injury received in the line of duty as a result of a general act of violence. Such death or injury must have occurred on or after September 10, 1982:

1. A surviving spouse without dependent children is paid the larger of 50% of the member's monthly final average compensation (FAC) at the time of death or \$150 per month.
2. A surviving spouse with dependent children is paid an additional 15% of the member's FAC at the time of his death for each child. The sum of spouse benefits and children benefits cannot exceed 100% of the member's FAC. Children benefits will continue to the children after the death of the surviving spouse.
3. If there is no surviving spouse, Surviving dependent children are paid 15% of the member's FAC up to a maximum of 60% of FAC (four children).
4. If there is no surviving spouse or surviving dependent children, a surviving dependent parent(s) is paid the lesser of: 50% of the member's monthly salary at the time of death and \$100 per month per dependent parent.

Dependent child or children mean a child or children under 18 years of age, or over said age if physically or mentally incapacitated, or a surviving child who is enrolled at a board-approved or accredited school, college, or university, enrolled in a sufficient number of courses and classes in such institution to be classified as a full-time student in good standing, under the criteria used by the institution in which the student is enrolled in which event benefits terminate at the completion of schooling or attaining the age of twenty-three, and who is dependent upon the deceased at the time of death.

Proposed Law

SB 16 adds a new category of death benefits to survivors of law enforcement officers who are killed in line of duty as a result of **“intentional violent act”**:

1. A surviving spouse without dependent children is paid the larger of: 50% of the member's monthly final average compensation (FAC) at the time of death or \$150 per month.
2. A surviving spouse with dependent children is paid an additional benefit that is the difference of surviving spouse benefits and 100% of member's FAC, divided equally among the dependent children. Spouse and children benefits will continue to the children after the death of the surviving spouse.
3. If there is no surviving spouse, surviving dependent children will be paid 100% of member's FAC divided equally among the dependent children.

Implications of the Proposed Changes

SB 16 makes a distinction between benefits payable to survivors of a law enforcer killed in line of duty as a result of an **“act of violence”** and benefit paid to survivors of a law enforcement officer killed in the line of duty as a result of an **“intentional act of violence”**

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

SB 16 contains benefit improvements having an actuarial cost.

There is an actuarial cost associated with SB 16. The increase in liability due to SB 16 depends on a number of variables:

1. The distinction that is made between **“act of violence”** and **intentional violent act.”**
2. Probability of death occurring in the line of duty and the number of such deaths.
3. The number of surviving children and their ages.
4. The member's final average compensation at the time of death.

As a result of these unknowns, it is impossible to precisely estimate the cost of SB 16. All that can be concluded is that actuarial costs will increase. However, the increase will be small or negligible.

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Other Post-Employment Benefits

There are no actuarial costs associated with SB 16 for other post-employment benefits.

Analysis of Fiscal Costs

It is likely that fiscal cots will increase during the five year measurement period as a result of SB 16 because it is quite likely that at least one person will fall into the category of killed in the line of duty due to an intentional violent act. However, the timing of such an event is not predicable, nor is the size of the benefit increase resulting from such an event.

In light of this, we estimate the increase in fiscal cost will be negligible.

Expenditures:

- 1. Benefit payments from SPRF (Agy Self-Generated) will increase during the five year measurement period. Such increase is expected to be negligible.
- 2. Expenditures from local funds are expected to increase because employer contribution requirements to SPRF will increase to pay for the larger benefits. Such increase is expected to be negligible.

Revenues

- 1. SPRF revenues (Agy Self-Generated) are expected to increase because employer contributions will increase. Such increase is expected to be negligible.

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

There is nothing in SB 16 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 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