


**2016 REGULAR SESSION  
ACTUARIAL NOTE HB 17**

<p><b>House Bill 17 HLS 16RS-311 Original</b></p> <p><b>Author: Representative J. Kevin Pearson</b> <b>Date: March 22, 2016</b></p> <p><b>LLA Note HB 17.01</b></p> <p><b>Organizations Affected: Municipal Employees' Retirement System</b></p> <p><b>OR 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 17 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: Relative to the Municipal Employees' Retirement System, to authorize the Louisiana Local Government Environmental Facilities and Community Development Authority to participate in the system.

**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>Actuarial Cost to:</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>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</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>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-2020</b>	<b>2020-2021</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**

Municipal Employees' Retirement System (MERS) was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. MERS provides retirement benefits to employees of all incorporated villages, towns and cities with the State, which did not have their own retirement systems and elected to become members of MERS.

Though the current law under R.S. 11:1732 (14)(a) does not include the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA) as a participating employer, LCDA is administratively a participating employer in Plan A of MERS and is making the required employer and employee contributions.

**Proposed Law**

HB 17 codifies into the law that LCDA is a participating employer of MERS under R.S. 11:1732 (14)(a).

**Implications of the Proposed Changes**

HB 17 adds the LCDA to the list of entities authorized to participate in MERS by agreement with the system board of trustees. Employees of LCDA have already been participating in the retirement system and both employer and employees have been paying the required contributions.

**Cost Analysis:**

**Analysis of Actuarial Costs**

**Retirement Systems**

There is no cost or savings associated with HB 17. The LCDA is already a participating employer in MERS. MERS already accounts for future benefits and liabilities associated with employees of LCDA. The employer and the employees are paying the required contributions to MERS.

**Other Post-Employment Benefits**

There are no actuarial costs associated with HB 17 for post-employment benefits other than pensions.

**Analysis of Fiscal Costs**

There are no fiscal costs associated with HB 17.

**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. 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 HB 17 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