


2016 REGULAR SESSION  
ACTUARIAL NOTE HB 34

<b>House Bill 34 HLS 16RS-309 Original</b>  <b>Author: Representative Gene Reynolds</b> <b>Date: March 23, 2016</b>  <b>LLA Note HB 34.01</b>  <b>Organizations Affected:</b> <b>Municipal Employees' Retirement System</b> <b>OR INCREASE APV</b>	<b>This Note has been prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of this Note to HB 34 provides compliance with the requirements of R.S. 24:521</b>   <b>Paul T. Richmond, ASA, MAAA, EA</b> <b>Manager Actuarial Services</b>
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**Bill Header:** RETIREMENT/MUNICIPAL EMP: Provides that all mayors are members of the Municipal Employees’ Retirement 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	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.

<b>Actuarial Cost to:</b>	<b><u>Change in the Actuarial Present Value</u></b>
All Louisiana Public Retirement Systems	Increase
Other Post Retirement Benefits	Increase
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.

<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	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	Increase	Increase	Increase	Increase	Increase
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

<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	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	\$ 0	Increase	Increase	Increase	Increase	Increase

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### **Bill Information:**

#### **Current Law**

Under current law, the definition of “employee” for the Municipal Employees’ Retirement System (MERS) includes mayors (who are elected officials) as long as they are employed on a permanent regularly scheduled basis of at least 35 hours per week.

#### **Proposed Law**

Under HB 34, the definition of “employee” includes mayors of municipalities regardless of their work schedule.

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

Mayors of municipalities will be able to participate in MERS even though they may not have a permanent regularly scheduled work schedule.

### **Cost Analysis:**

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

HB 34 contains benefit provisions having an actuarial cost. Some mayors who now are prohibited from participating in MERS will be able to become members.

#### **Retirement Systems**

The present value of future benefits will increase because more individuals will be allowed to participate in MERS.

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

HB 34 will increase actuarial costs associated with post-employment benefits other than pensions to the extent that payments of such benefits are linked to the receipt of retirement benefits from MERS.

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

HB 34 will have the following effects on fiscal costs during the five year measurement period.

##### **Expenditures:**

1. Expenditures from the Local Funds will increase only to the extent that a participating employer will include additional employees (mayors) that were not eligible to participate in the system under the current law.
2. Expenditures from MERS (Agy Self-Generated) will increase only if one of the new employees, who joined MERS as a result of HB 34, terminates employment during the five year fiscal measurement period and is entitled to a refund of employee contributions.

##### **Revenues:**

- MERS revenues (Agy Self-Generated) will increase because it will receive employee and employer contributions due to additional mayors participating in the system as a result of HB 34.

According to MERS, the increase to expenditures from local funds, if HB 34 is enacted, would be minimal.

### **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 34 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.

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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