


**2016 REGULAR SESSION
ACTUARIAL NOTE HB 27**

<p>House Bill 27 HLS 16RS-306 Original</p> <p>Author: Representative Jack Montoucet</p> <p>Date: March 23, 2016</p> <p>LLA Note HB 27.01</p> <p>Organizations Affected: Firefighters' Retirement System</p> <p>OR NO IMPACT APV</p>	<p>The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of the Note to HB 27 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/FIREFIGHTERS: Provides with respect to payment of interest in certain cases of administrative error in the Firefighters' Retirement System.

Cost Summary:

The estimated actuarial and fiscal impact of the proposed legislation 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/(Savings) to Retirement Systems and OGB	\$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.

<u>Actuarial Cost (Savings) to:</u>	<u>Increase (Decrease) 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 government entities including the retirement systems and the Office of Group Benefits. Fiscal costs include estimated administrative costs and costs associated with other fiscal concerns. A fiscal cost is denoted by "Increase" or a positive number. Fiscal savings are denoted by "Decrease" or a negative number.

EXPENDITURES	2014-15	2015-16	2016-17	2017-2018	2018-2019	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	2014-15	2015-16	2016-17	2017-2018	2018-2019	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

Under current law, the director of the Firefighters' Retirement System (FRS) may correct any administrative error and make all adjustments relative to such correction. The director must correct such an error based solely on sufficient documentation, which must be submitted to the board of trustees along with a determination of whether the error was due to the System or due to something else.

Proposed Law

HB 27 provides that in case of an *underpayment of benefits due to an administrative error* by system staff, the correction of such an error may include interest at a rate not to exceed the valuation interest rate.

Implications of the Proposed Changes

HB 27 gives FRS the authority to pay interest on the underpayment of benefits attributable to administrative error.

Cost Analysis:

Analysis of Actuarial Costs

HB 27 does not contain a benefit provision having an actuarial cost. Although HB 27 gives stated approval for providing an interest adjustment in the event of an under payment of benefits, the director could include interest payments in his remedy under current law. HB 27 merely gives direction that providing such an interest adjustment is acceptable under the law.

Retirement Systems

There are no actuarial costs associated with HB 27. We are assuming that the remedy for under payment of benefits already include an interest adjustment.

Other Post Retirement Benefits

There are no actuarial costs associated with HB 27 for post-employment benefits other than pensions.

Analysis of Fiscal Costs

There are no fiscal costs associated with HB 27. We are assuming that the remedy for under payment of benefits already include an interest adjustment.

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 HB 27 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 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