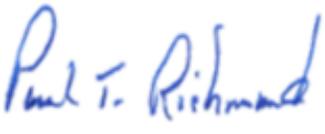


**2016 REGULAR SESSION
ACTUARIAL NOTE HB 53**

| | |
|---|---|
| <p>House Bill 53 HLS 16RS-316 Original</p> <p>Author: Representative Franklin J. Foil</p> <p>Date: April 6, 2016</p> <p>LLA Note HB 53.01</p> <p>Organizations Affected: Parochial Employees' Retirement System</p> <p>OR 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 53 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> |
|---|---|

Bill Header: RETIREMENT/PAROCHIAL EMP: Provides relative to Deferred Retirement Option Plan accounts in the Parochial Employees' Retirement System and interest on such accounts

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 | 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 | 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 | 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 | 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 |

**2016 REGULAR SESSION
ACTUARIAL NOTE HB 53**

Bill Information:

Current Law

Under current law, the Parochial Employees' Retirement System (PERS) may select a third party provider to invest and administer DROP accounts for participants who continue to be employed after exiting DROP. However, the PERS' board of trustees has never elected to engage a third party provider. All DROP accounts are credited with interest annually based on the investment return associated with J. P. Morgan's prime money market institutional shares. J. P. Morgan is PERS' custodial bank.

Proposed Law

HB 53 removes the authority of the PERS' board to engage a third party provider and codifies current administrative practices for granting interest credits on DROP accounts.

Implications of the Proposed Changes

HB 53 has no effect on plan benefits or plan costs. It merely codifies current practices. The Internal Revenue Service requested this change as a condition for the issuance of a favorable determination letter on the qualified status of the retirement system.

Cost Analysis:

Analysis of Actuarial Costs

HB 53 does not contain any benefit provisions having an actuarial cost.

Retirement Systems

There are no actuarial costs associated with HB 53.

Other Post-Employment Benefits

There are no actuarial costs associated with HB 53 for post-employment benefits other than pensions.

Analysis of Fiscal Costs

HB 53 has no effect on fiscal costs.

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 53 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