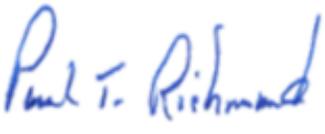


**2016 REGULAR SESSION
ACTUARIAL NOTE HB 54**

<p>House Bill 54 HLS 16RS-322 Engrossed</p> <p>Author: Representative Franklin J. Foil</p> <p>Date: April 18, 2016</p> <p>LLA Note HB 54.02</p> <p>Organizations Affected: Clerks of Court Retirement and Relief Fund</p> <p>EG INCREASE FC LF</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 54 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/CLERKS COURT: Reamortizes the initial unfunded accrued liability (IUAL) of the Clerks of Court Retirement and Relief Fund as a level-dollar payment over the remaining life of the original IUAL amortization schedule

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	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.

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	Increase	Increase	Increase	Increase	Increase
Annual Total	\$ 0	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	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

**2016 REGULAR SESSION
ACTUARIAL NOTE HB 54**

Bill Information:

Current Law

Act 81 of the 1988 legislative session requires Clerks and Court Retirement and Relief Fund (CCRS) to amortize the initial unfunded accrued liability (IUAL) over a forty year period beginning on July 1, 1989 with payments increasing at 4.75% per year. The last payment to liquidate the IUAL will occur for the FYE 2029.

Proposed Law

HB 54 eliminates the increasing payment schedule for the IUAL of CCRS and re-amortizes the remaining balance of the original IUAL schedule as a level-dollar payment over the remainder of the original 40-year payment period.

Implications of the Proposed Changes

HB 54 re-amortizes the remaining IUAL balance of CCRS.

Cost Analysis:

Analysis of Actuarial Costs

HB 54 does not contain any benefit provisions having an actuarial cost.

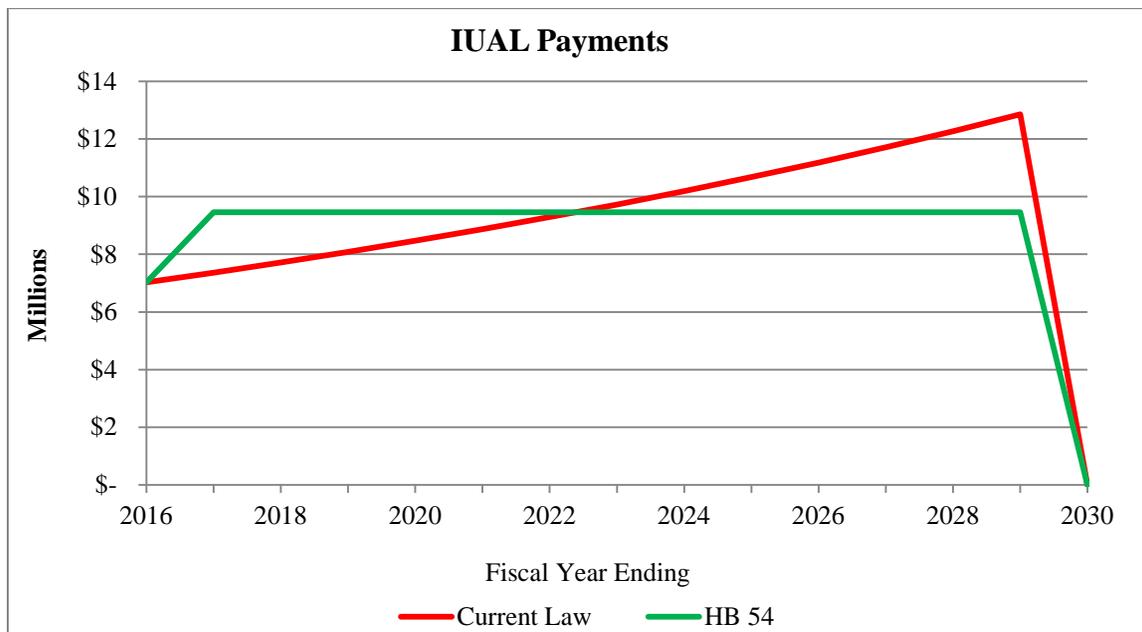
Retirement Systems

HB 54 will have the following effect on amortization payments associated with the IUAL.

**Table 1
IUAL Amortization Payments**

FYE	Current Law	HB 54	Increase/ (Decrease)
2016	\$ 7,031,947	\$ 7,031,947	\$ -
2017	7,365,964	9,455,809	2,089,845
2018	7,715,847	9,455,809	1,739,962
2019	8,082,350	9,455,809	1,373,459
2020	8,466,262	9,455,809	989,547
2021	8,868,409	9,455,809	587,400
2022	9,289,658	9,455,809	166,151
2023	9,730,917	9,455,809	(275,108)
2024	10,193,136	9,455,809	(737,327)
2025	10,677,310	9,455,809	(1,221,501)
2026	11,184,482	9,455,809	(1,728,673)
2027	11,715,745	9,455,809	(2,259,936)
2028	12,272,243	9,455,809	(2,816,434)
2029	12,855,181	9,455,804	(3,399,377)
2030	-	-	-

Table 1 is shown graphically below:



**2016 REGULAR SESSION
ACTUARIAL NOTE HB 54**

Other Post-Employment Benefits

There are no actuarial costs associated with HB 54 for post-employment benefits other than pensions.

Analysis of Fiscal Costs

HB 54 will have the following effect on fiscal costs.

Expenditures:

- Expenditures from Local Funds will increase because employer contribution requirements will increase.

Revenues:

- CCRS revenues (Agy Self-Generated) will increase because employer contribution requirements will increase.

The balance in the CCRS Funding Deposit Account on June 30, 2015 was \$3,449,000. These funds are available to the CRS board to offset the increase in employer contribution requirements that otherwise would be required under HB 54. If the board uses the Funding deposit Account in this manner, the increase in fiscal costs during the 5-year measurement period would 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 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 54 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