


2016 REGULAR SESSION
ACTUARIAL NOTE HB 48

House Bill 48 HLS 16RS-125 Original Author: Representative Barry Ivey Date: April 26, 2016 LLA Note HB 48.01 Organizations Affected: State Retirement Systems OR +\$562,569 FC GF LF EX	This Note has been prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of this Note to HB 48 provides compliance with the requirements of R.S. 24:521.  Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services
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Bill Header: RETIREMENT/BDS – COMMISSIONS: Adds citizens unaffiliated with the retirement system to each state retirement system board of trustees.

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 to Retirement Systems	\$0
Total Five Year Fiscal Cost	
Expenditures	\$562,529
Revenues	\$562,569

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:	Change in the Actuarial Present Value
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	Increase	Increase	Increase	Increase	Increase	Increase
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	Increase	Increase	Increase	Increase	Increase	Increase
Annual Total	Increase	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	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	0	0	0	0	0
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

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Bill Information:

Current Law

Current law establishes the four state retirement systems – Louisiana State Employees’ Retirement System (LASERS), Teachers’ Retirement System of Louisiana (TRSL), Louisiana School Employees’ Retirement System (LSERS), and Louisiana State Police Retirement System (STPOL) – as state retirement systems and provides for the composition of each board of trustees.

1. For LASERS the board of trustees consists of thirteen members determined in the following manner.
 - a. The chairman of the Retirement Committee of the House of Representatives, ex officio, or his designee.
 - b. The chairman of the Retirement Committee of the Senate, ex officio, or his designee.
 - c. The state treasurer, ex officio, or his designee.
 - d. The commissioner of administration, ex officio, or his designee.
 - e. Six active member trustees with at least 10 years of service and elected by active members of the system.
 - f. Three retired member trustees elected by the retirees of the system.
2. For TRSL the board of trustees consists of seventeen members determined in the following manner.
 - a. The state superintendent of education, ex officio, or his designee.
 - b. One voting member representing the members paid by school food service funds and elected by a majority of the members.
 - c. The state treasurer, ex officio, or his designee.
 - d. The commissioner of administration, ex officio, or his designee.
 - e. The chairman of the Retirement Committee of the House of Representatives, ex officio, or his designee.
 - f. The chairman of the Retirement Committee of the Senate, ex officio, or his designee.
 - g. One voting member representing the state colleges and universities at large.
 - h. One voting member from and to represent each of the seven districts.
 - i. Two voting members to represent the retired teachers.
 - j. One voting member that is a parish or city superintendent.
3. For LSERS the board of trustees consists of twelve members determined in the following manner.
 - a. The president of the Louisiana School Bus Operators’ Association, ex officio.
 - b. The chairman of the Retirement Committee of the House of Representatives, ex officio, or his designee.
 - c. The chairman of the Retirement Committee of the Senate, ex officio, or his designee.
 - d. The secretary of state, ex officio, or his designee.
 - e. The state treasurer, ex officio, or his designee.
 - f. The commissioner of administration, ex officio, or his designee.
 - g. Four active member trustees elected to represent the active members of the system.
 - h. Two retired member trustees elected at large by the retirees of the system.
4. For STPOL the board of trustees consists of eleven members determined in the following manner.
 - a. The state treasurer or his designee.
 - b. The commissioner of administration or his designee.
 - c. The superintendent of the office of state police, or his designee.
 - d. The president of the Louisiana State Troopers’ Association.
 - e. The president of the Central State Troopers’ Coalition.
 - f. The chairman of the House Committee on Retirement.
 - g. The chairman of the Senate Committee on Retirement.
 - h. One active member of the system, who has credit for at least five years of service, elected by the active members of the system.
 - i. One retired member of the system elected by the retired members of the system.
 - j. One at-large member of the system, either active or retired.
 - k. One surviving spouse of a deceased member elected by the active and retired members of the system.

Current law provides for the designations and terms of office for members of the board of trustees of each state retirement system and provides procedures relative to the election of such trustees to the board.

Proposed Law

HB 48 adds citizens unaffiliated with the retirement system to each state retirement system board of trustees. Each such trustee shall have filed his state income tax returns for the last five consecutive years and shall not have an immediate family member who is an active or retired member of the system or a beneficiary of the system. It further provides that each such trustee shall serve a four-year term and that vacancies in the office shall be filled in the same manner as the original appointment.

HB 48 adds five citizen trustees to the boards of trustees to each of LASERS and TRSL:

1. The president of the Senate appoints two trustees;
2. The speaker of the House appoints two trustees; and
3. The legislative auditor appoints one trustee.

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HB 48 adds three citizen trustees to the boards of trustees to each of LSERS and STPOL:

- 1. The president of the Senate appoints one trustee;
- 2. The speaker of the House appoints one trustee; and
- 3. The legislative auditor appoints one trustee.

Implications of the Proposed Changes

Under HB 48, the number of members serving on the board of trustees will increase:

Number of Trustees for Each State Retirement System		
Retirement System	Current law	HB 48
LASERS	13	18
TRSL	17	22
LSERS	12	15
STPOL	11	14

Cost Analysis:

Analysis of Actuarial Costs

HB 48 contains no benefit provisions having an actuarial cost.

Retirement Systems

There are no actuarial costs associated with HB 48.

Other Post-Employment Benefits

There are no actuarial costs associated with HB 48 for post-employment benefits other than pensions.

Analysis of Fiscal Costs

HB 48 will have the following effects on fiscal costs during the five-year measurement period. The four state retirement systems provided the following estimate.

Projected Five-Year Fiscal Cost as Provided by The State Retirement Systems					
Fiscal Year	LASERS ^{a,b}	TRSL	LSERS	STPOL ^c	Total
2016-2017	\$ 60,000	\$ 130,035	\$ 32,916	\$ 13,950	\$ 236,901
2017-2018	9,000	23,359	33,574	13,950	79,883
2018-2019	9,000	23,689	34,246	13,950	80,885
2019-2020	9,000	24,027	34,931	13,950	81,908
2020-2021	9,000	24,373	35,629	13,950	82,952
Total	\$ 96,000	\$ 225,483	\$ 171,296	\$ 69,750	\$ 562,529

- a. LASERS and TRSL costs for FYE 2017 are estimates based on data provided by the systems for remodeling the board room.
- b. LASERS cost includes only per diem expenses. The system will have other unaccounted for expenses.
- c. STPOL provided only per diem and educational expenses for the first year. The system will have other unaccounted for expenses.

Expenditures:

- 1. Expenditures from State General Fund will increase because employer contribution requirements will increase to pay for administrative costs.
- 2. Expenditures from the state retirement systems (Agy Self-Generated) will increase to pay for larger administrative costs.
- 3. Expenditures from Local Funds will increase because employer contribution requirements will increase to pay for administrative costs.

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Revenues:

- Revenues to the retirement systems (Agy Self-Generated) will increase because employer contributions will increase.

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 48 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:

<u>Senate</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1: Annual Fiscal Cost ≥ \$100,000	<input type="checkbox"/> 6.8(F)(1): Annual Fiscal Cost ≥ \$100,000
<input type="checkbox"/> 13.5.2: Annual Tax or Fee Change ≥ \$500,000	<input type="checkbox"/> 6.8(F)(2): Annual Revenue Reduction ≥ \$100,000
	<input type="checkbox"/> 6.8(G): Annual Tax or Fee Change ≥ \$500,000