


**2016 REGULAR SESSION  
ACTUARIAL NOTE HB 59**

<p><b>House Bill 59 HLS 16RS-413</b> Engrossed with House Retirement Committee Amendment #4340</p> <p><b>Author: Representative Walter J. Leger III</b> <b>Date: May 17, 2016</b> <b>LLA Note HB 59.02</b></p> <p><b>Organizations Affected:</b> <b>Firefighters' Pension and Relief Fund in the city of New Orleans</b></p> <p><b>EG INCREASE APV</b></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 59 provides compliance with the requirements of R.S. 24:521</p> <div style="text-align: center;">   <b>Paul T. Richmond, ASA, MAAA, EA</b>  <b>Manager Actuarial Services</b> </div>
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**Bill Header:** RETIREMENT/LOCAL: Provides relative to conversion of sick and annual leave to retirement credit in the Firefighters' Pension and Relief Fund in the city of New Orleans.

**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	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	\$0
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**

There are no provisions under current law permitting members of the Firefighters' Pension and Relief Fund in the city of New Orleans (NOFF) to convert accumulated unused annual and sick leave into service credits.

#### **Proposed Law**

Under HB 59, each employee participating in NOFF may convert unused annual and sick leave into creditable service at the time of retirement. Accumulated sick and annual leave will be converted in accordance with rules established by the board of trustees. In no event may the total benefits received from NOFF exceed 100% of final average compensation.

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

A participating member of NOFF will be allowed to convert his unused annual and sick leave into service credits and as a result increase his pension benefit.

### **Cost Analysis:**

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

##### **Retirement Systems**

HB 59 will have the following effects on the various components of actuarial cost.

1. The actuarial present value of future benefit payments will increase.
2. The actuarial accrued liability of NOFF will increase. Actuarial valuations in the future should include an assumption to prove an estimate of the additional liability attributable to the conversion of annual and sick leave.
3. The unfunded accrued liability of NOFF will increase.
4. Employer contribution requirements will increase.

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

There are no actuarial costs associated with HB 59 for post-employment benefits other than pensions.

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

HB 59 will have the following effect on fiscal costs during the five-year fiscal measurement period.

##### **Expenditures:**

1. NOFF expenditures (Agy Self-Generated) will increase because benefits paid to members will be larger. However, the increase is expected to be small.
2. Expenditures from Local Funds will increase because employer contribution requirements will increase.

##### **Revenues:**

- NOFF revenues (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. 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 59 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