


**2016 REGULAR SESSION
ACTUARIAL NOTE HB 910**

<p>House Bill 910 HLS 16RS-1321 Original</p> <p>Author: Representative M. Talbot Date: April 12, 2016</p> <p>LLA Note HB 910.01</p> <p>Organizations Affected: Teachers' Retirement System of Louisiana Louisiana State Employees' Retirement System</p> <p>OR INCREASE 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 910 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/STATE SYSTEMS: Provides relative to membership in the Louisiana State Employees' Retirement System and the Teachers' Retirement System of Louisiana.

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	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.

<u>Actuarial Cost to:</u>	<u>Change in the Actuarial Present Value</u>
All Louisiana Public Retirement Systems	Increase
Other Post Retirement Benefits	See Analysis
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.

EXPENDITURES	2016-17	2017-18	2018-19	2019-2020	2020-2021	5 Year Total
State General Fund	\$ 0	Increase	Increase	Increase	Increase	Increase
Agy Self Generated	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
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	Decrease	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 910**

Bill Information:

Current Law

Under R.S. 11:411(8) of current law, employees of any primary health center established under the Public Service Act are eligible to participate in Louisiana State Employees' Retirement System (LASERS).

Under R.S. 11:701(33)(a) of current law, a "teacher" eligible to become a member of the Teachers' Retirement System of Louisiana (TRSL) includes the following persons:

1. The president and staff of the Louisiana Federation of Teachers who were members of TRSL prior to such employment.
2. The president or secretary and staff of the Louisiana Association of Educators.
3. The director and staff of the Associated Professional Educators of Louisiana.
4. The director and staff of the Louisiana Resource Center for Educators.

Proposed Law

Under HB 910, an employee of any primary health center established under the Public Service Act is eligible to participate in LASERS only if he was hired prior to September 1, 2016.

Under HB 910, a "teacher" eligible to become a member of TRSL shall include the following persons:

1. The president and staff of the Louisiana Federation of Teachers hired by the federation before September 1, 2016, who were members of TRSL prior to such employment.
2. The president or secretary and staff of the Louisiana Association of Educators, hired by the association before September 1, 2016.
3. The director and staff of the Associated Professional Educators of Louisiana, hired by the association before September 1, 2016.
4. The director and staff of the Louisiana Resource Center for Educators hired by the center before September 1, 2016.

Employees of these organizations hired on or after September 1, 2016, will not be allowed to become members of TRSL.

Implications of the Proposed Changes

HB 910 provides that employees of the above named organizations hired on or after September 1, 2016, shall not be members of LASERS or TRSL.

Cost Analysis:

Analysis of Actuarial Costs

HB 910 does not contain any benefit provision having an actuarial cost.

Retirement Systems

The actuarial present value of future benefit payments under HB 910 will decrease because employees of the named organizations hired on or after September 1, 2016, will not be able to participate and earn benefit credits under LASERS and TRSL.

HB 910 will not change the current value of the accrued liability or the current value of the unfunded accrued liability. All existing employees of these private employers will continue to participate in LASERS and TRSL. However, the accrued liability in the future will be less under HB 910 than what it would have been under current law because no new employees of these entities will be able to join the retirement systems.

Future normal costs as a dollar amount will decrease because fewer persons will be participating in LASERS and TRSL. Future normal costs as a percentage of pay may increase or decrease depending on the extent to which the exclusion of future employees changes the demographic profile of the membership of the systems. Given the small number of persons potentially affected, the increase or decrease will be negligible.

As a result of HB 910, amortization payments that would have been allocated to the private employers will now become the responsibility of the governmental entities participating in LASERS and TRSL. Therefore, the dollar responsibility of the government employer will increase.

Other Post Retirement Benefits

It is expected that actuarial costs associated with post-employment benefits other than pensions will decrease if employees of the named employers participate in group life and health insurance programs that provide benefits subsequent to retirement.

**2016 REGULAR SESSION
ACTUARIAL NOTE HB 910**

However, if these employers are providing such benefits, they are doing so as private employers and not through any government programs of the state or its political subdivisions.

Analysis of Fiscal Costs

HB 910 will have the following effects on fiscal costs during the five-year measurement period.

Expenditures:

1. Expenditures from General Funds to pay normal costs will remain the same. The private employers and their new employees will not be contributing anything toward the normal cost. On the other hand, these future employees will not be earning any benefits from LASERS and TRSL.
2. Expenditures from General Funds to pay current amortization costs will increase because current amortization costs are being shifted from private employers to public entities. If HB 910 is enacted, the private organizations, will not be contributing toward amortization costs relative to the pay of new employees. The savings realized by the private employers will become the responsibility of the public entities participating in LASERS and TRSL. As a result, amortization costs in dollars for public employers participating in LASERS and TRSL will increase.
3. Expenditures from LASERS and TRSL (Agy Self-Generated) will decrease to the extent that there are one or more new hires at one or more of the named organizations and one or more of these new employees should terminate employment within the five year fiscal measurement period. Under current law, LASERS and TRSL would refund employee contributions to the terminating employee. Under HB 910, no such contributions will be made and as a result no refund will be given. This decrease in expenditures is assumed to be negligible.
4. Expenditures from Local Funds to pay normal costs will remain the same. The private employers and their new employees will not be contributing anything toward the normal cost. On the other hand, these future employees will not be earning any benefits from LASERS and TRSL.
5. Expenditures from Local Funds to pay current amortization costs will increase because current amortization costs are being shifted from private employers to public entities. If HB 910 is enacted, the private organizations, will not be contributing toward amortization costs relative to the pay of new employees. The savings realized by the private employers will become the responsibility of the public entities participating in LASERS and TRSL. As a result, amortization costs in dollars for public employers participating in LASERS and TRSL will increase.
6. Note: Expenditures from the named private organizations and their new employees will decrease because they will not be contributing to LASERS and TRSL.

Revenues:

1. LASERS and TRSL revenues (Agy Self-Generated) will increase because expenditures from the General Fund and Local Funds will increase to pay the larger cost associated with the amortization of exiting unfunded accrued liabilities.

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 910 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