


**2013 REGULAR SESSION
ACTUARIAL NOTE SB 3**

<p>Senate Bill 3 SLS 13RS-116 Original</p> <p>Author: Senator Ronnie Johns Date: March 13, 2013</p> <p>LLA Note SB 3.01</p> <p>Organizations Affected: Municipal Employees' Retirement System</p> <p>OR \$300,000 APV</p>	<p>The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of the Note to SB 3 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: Provides for participation by the West Calcasieu Community Center employees. (6/30/13).

Cost Summary:

Actuarial Cost/(Savings) to Retirement Systems and OGB	\$300,000
Total Five Year Fiscal Cost	
Expenditures	Increase
Revenues	Increase

Estimated Actuarial Impact:

The chart below shows the estimated increase/(decrease) in the actuarial value of benefits, if any, attributable to the proposed legislation. Note: it includes the present value cost of fiscal costs associated with benefit changes. It does **not** include present value costs associated with administration or other fiscal concerns.

<u>Actuarial Cost (Savings) to:</u>	<u>Increase (Decrease) in The Actuarial Present Value</u>
All Louisiana Public Retirement Systems	\$300,000
Other Post Retirement Benefits	\$0
Total	\$300,000

Estimated Fiscal Impact:

The chart below shows the estimated fiscal impact of the proposed legislation. This represents the effect on cash flows for government entities including the retirement systems and the Office of Group Benefits.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-2018	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	Increase	Increase	Increase	Increase	Increase	Increase
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-2018	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

Bill Information:

Current Law

Various employers are identified as being "participating" employers in the Municipal Employees' Retirement System (MERS). Employees of these employers become members of MERS as a condition of their employment.

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Proposed Law

Under SB 3, the West Calcasieu Community Center will be added to the list of employers participating in MERS. Employees of the Community Center will become members of MERS Plan B as a condition of their employment.

Implications of the Proposed Changes

As a result of SB 3, membership in MERS will increase.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

Three full-time employees of the West Calcasieu Community Center will become members of MERS Plan B if SB 3 is enacted. The addition of these members to Plan B will have the following effect on actuarial cost factors.

1. The present value of future benefits for Plan B will increase approximately \$300,000.
2. The present value of future normal costs will also increase by about \$300,000.
3. Annual payroll from which normal costs are collected will increase.
4. The effect on the normal cost rate is negligible.
5. No additional unfunded accrued liabilities will be created.

Other Post Retirement Benefits

SB 3 has no effect on actuarial costs associated with post-retirement benefits other than pensions.

Analysis of Fiscal Costs

SB 3 will have the following effect on fiscal costs during the five year measurement period.

Expenditures:

1. Expenditures from Local Funds will increase. In general, the increase in expenditures will be limited to the West Calcasieu Community Center. The effect on expenditures for other participating employers in MERS will be negligible.
2. Benefits payable from MERS (Agy Self-Generated) will increase during the five year fiscal measurement period only to the extent that an employee of the Center terminates employment and requests a refund of his own contributions from the retirement system.

Revenues:

- MERS revenues (Agy Self-Generated) will increase. A portion of that revenue will come from the West Calcasieu Community Center in the form of employer contributions and a portion will come from employees of the Center in the form of employee contributions.

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 to render the actuarial opinion contained herein.

Dual Referral:

Senate

- 13.5.1 \geq \$100,000 Annual Fiscal Cost
- 13.5.2 \geq \$500,000 Annual Tax or Fee Change

House

- 6.8(F) \geq \$500,000 Annual Fiscal Cost
- 6.8(G) \geq \$500,000 Annual Tax or Fee Change