


**2016 REGULAR SESSION  
ACTUARIAL NOTE HB 12**

<p><b>House Bill 12 HLS 16RS-42 Original</b></p> <p><b>Author: Representative J. Kevin Pearson</b> <b>Date: March 22, 2016</b></p> <p><b>LLA Note HB 12.01</b></p> <p><b>Organizations Affected: Municipal Employees' Retirement System OR NO IMPACT 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 12 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/MUNICIPAL EMP: Provides that the state treasurer and the commissioner of administration, or their designees, serve as voting members of the Municipal Employees' Retirement System board of trustees.

**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	\$0
Revenues	\$0

**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	\$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.

<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	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	0	0	0	0	0
Annual Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

<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	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	0	0	0	0	0
Annual Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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**Bill Information:**

**Current Law**

Current law states that the board of trustees for the Municipal Employees' Retirement System (MERS) consists of eleven members determined in the following manner.

1. Three active and contributing members of the system each of whom is an elected official elected to office in accordance with the Louisiana Election Code and has at least 10 or more years of service.
2. Three active and contributing members of the system who are not elected officials elected to office, each of whom has at least 10 or more years of service.
3. The president of the Louisiana Municipal Association, ex officio, or his designee.
4. The chairman of the Senate Retirement Committee, ex officio, or his designee.
5. The chairman of the House Retirement Committee, ex officio, or his designee.
6. A nonvoting member who is the commissioner of administration, or his designee.
7. A nonvoting member who is the state treasurer, or his designee.

**Proposed Law**

Under HB 12, the commissioner of administration and the state treasurer, or their designees, shall serve as voting members of the board of trustees.

**Implications of the Proposed Changes**

As a result of HB 12 the commissioner of administration and the state treasurer, or their designees, will become voting members of the MERS board of trustees.

**Cost Analysis:**

**Analysis of Actuarial Costs**

**Retirement Systems**

There are no actuarial costs associated with HB 12.

**Other Post-Employment Benefits**

HB 12 has no effect on actuarial costs associated with post-employment benefits other than pensions.

**Analysis of Fiscal Costs**

HB 12 will have no effect on fiscal costs during the five year measurement period.

**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 12 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