


**2016 REGULAR SESSION  
ACTUARIAL NOTE HB 26**

<p><b>House Bill 26 HLS 16RS-186</b> Enrolled</p> <p><b>Author: Representative Jack Montoucet</b> <b>Date: May 6, 2016</b></p> <p><b>LLA Note HB 26.03</b></p> <p><b>Organizations Affected:</b> <b>Firefighters' Retirement System</b></p> <p><b>EN DECREASE 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 26 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/FIREFIGHTERS: Provides relative to appeals of certain disability eligibility decisions in the Firefighters' Retirement System.

**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	Decrease
Total Five Year Fiscal Cost	
Expenditures	Decrease
Revenues	Decrease

**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	Decrease
Other Post Retirement Benefits	Decrease
Total	Decrease

**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	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	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Annual Total	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

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

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### **Bill Information:**

#### **Current Law**

The Firefighters' Retirement System (FRS) provides disability benefit to members have been certified as disabled by the State Medical Disability Board. If a member is denied disability as a result of the disability review process, the member may appeal a negative decision by filing a petition in the appropriate district court. There is no limitation on the length of time a member has to file such an appeal.

#### **Proposed Law**

HB 26 provides that if a member is denied disability as a result of the disability review process, then he may appeal a negative decision within 30 days by filing a petition in the appropriate district court.

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

HB 26 limits the time a member has to file an appeal with the appropriate district court relative to a decision emerging from the disability review process.

### **Cost Analysis:**

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

SB 26 contains no benefit provisions having an actuarial cost.

#### **Retirement Systems**

The number of successful appeals of the disability review process will decrease because HB 26 puts a relatively short time limitation on when such an appeal must be made. This will result in a decrease in the number of disabilities, a decrease in the present value of future benefits, and a decrease in employer contribution requirements

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

Actuarial costs associated with HB 26 for post-employment benefits other than pensions will decrease to the extent that the employer offers post-employment benefits. An increase in denied benefits leads to a decrease in the number of recipients of post-employment benefits.

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

HB 26 will have the following effects on fiscal costs during the five-year fiscal measurement period.

##### Expenditures:

1. Expenditures from FRS (Agy Self-Generated) will decrease because there will be fewer appeals of benefit denials stemming from the disability review process.
2. Expenditures from Local Funds will decrease because employer contribution requirements will decrease.

##### Revenues:

- FRS Revenues (Agy Self-Generated) will decrease because employee contributions will decrease.

### **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 26 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