


**2016 REGULAR SESSION  
ACTUARIAL NOTE HB 38**

<p>House Bill 38 HLS 16RS-307 Original</p> <p><b>Author: Representative Jack Montoucet</b> <b>Date: March 23, 2016</b></p> <p>LLA Note HB 38.01</p> <p><b>Organizations Affected:</b> <b>Firefighters' Retirement System</b></p> <p><b>OR 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 38 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 reenrollment in the Firefighters' Retirement System by employees covered by Social Security

**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.

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

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**Bill Information:**

**Current Law**

Under current law, any person employed in a position requiring participating in either the Firefighters' Retirement System or the Municipal Police Employees' Retirement System (MPERS) may elect or not elect to become a member of FRS or MPERS as long as the following criteria is satisfied.

1. His employer has employees covered by Social Security,
2. His employer has not previously and specifically excluded its police officers or firefighters from participation in Social Security, and
3. The person has filed an affidavit stating that his election not to be a member of FRS or MPERS is of his own free will and is his own voluntary act and deed.

Such a person, who otherwise would have been a member of MPERS, cannot rejoin MPERS while he is employed by the same municipality, parish or fire protection district unless he repays his previously refunded employee contributions. Such repayment must occur within 60 days, must be paid as a lump sum, and must include interest at the valuation interest rate in effect at the time of repayment.

There are no provisions under current law that will allow a person to rejoin FRS.

**Proposed Law**

HB 38 adds provisions for rejoining FRS subject to the same requirements as applicable to MPERS.

**Implications of the Proposed Changes**

HB 38 provides for rejoining FRS subject to the same conditions that currently exist for rejoining MPERS.

**Cost Analysis:**

**Analysis of Actuarial Costs**

HB 38 contains benefit provisions having an actuarial cost.

**Retirement Systems**

The actuarial present value of future benefit payments will increase as a result of HB 38. Persons not eligible to rejoin FRS will now be eligible to do so.

**Other Post-Employment Benefits**

HB 38 will increase actuarial costs associated post-employment benefits other than pensions to the extent that an employer's port-employment benefit program is linked to participation and retirement from FRS.

**Analysis of Fiscal Costs**

HB 38 will have the following effects on fiscal costs during the five year fiscal measurement period.

Expenditures:

1. Expenditures from FRS (Agy Self-Generated) will increase if an employee, who decides to rejoin the retirement system, terminates or retires during the next five years.
2. Expenditures from Local Funds will increase due to additional employer contributions made on behalf a member who decides to rejoin the system.

Revenues:

1. Revenue to FRS (Agy Self-Generated) will increase because the employee and the employer contributions will increase when an employee decides to rejoin the system.
2. Revenue to FRS (Agy Self-Generated) will increase to the extent the employee repays his previously refunded employee contributions plus interest at the board-approved actuarial valuation rate.

It is likely that FRS revenues over the 5-year measurement period will exceed FRS expenditures. Expenditures are not likely to exceed the \$100,000 threshold needed for dual referral.

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**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 38 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