


**2016 REGULAR SESSION  
ACTUARIAL NOTE HB 38**

<p><b>House Bill 38 HLS 16RS-307</b> Enrolled</p> <p><b>Author: Representative Jack Montoucet</b> <b>Date: May 6, 2016</b></p> <p><b>LLA Note HB 38.03</b></p> <p><b>Organizations Affected:</b> <b>Firefighters' Retirement System</b></p> <p><b>EN 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 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 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	\$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**

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.

FRS administers current law in the same manner as MERS, although there are no specific provisions to allow FRS to do so.

#### **Proposed Law**

HB 38 codifies administrative practices currently used by FRS relative to provisions for rejoining FRS.

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

HB 38 puts in law administrative practices already used by FRS.

### **Cost Analysis:**

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

HB 38 does not contain any benefit provisions having an actuarial cost.

#### **Retirement Systems**

The actuarial present value of future benefit payments will neither increase nor decrease as a result of HB 38.

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

There are no actuarial costs associated with HB 30 relative to post-employment benefits other than pensions.

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

Fiscal cost will not be affected by HB 38.

### **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.

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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