2013 REGULAR SESSION
ACTUARIAL NOTE HB 60

House Bill 60 HLS 13RS-366
Original

Author: Representative Kirk Talbot

Date: April 15, 2013

LLA Note HB 60.01

Organizations Affected:
State and Statewide Retirement Systems

OR DECREASE APV

This Note has been prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of this Note to HB 60 provides compliance with the requirements of R.S. 24:521.

Paul T. Richmond, ASA, MAAA, EA
Manager Actuarial Services

Bill Header: RETIREMENT/STATE-STWIDE: Relative to state and statewide retirement systems, prohibits certain members who are reemployed after retirement from receiving retirement benefits or accruing additional benefits.

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/(Savings) to Retirement Systems and OGB	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.

Actuarial Cost/(Savings) to:	Change in the Actuarial Present Value
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 government entities including the retirement systems and the Office of Group Benefits. Fiscal costs include estimated administrative costs and costs associated with other fiscal concerns. A fiscal cost is denoted by “Increase” or a positive number. Fiscal savings are denoted by “Decrease” or a negative number.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-2018	5 Year Total
State General Fund	$ 0	Decrease	Decrease	Decrease	Decrease	Decrease
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	0	Decrease	Decrease	Decrease	Decrease	Decrease
Annual Total	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

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	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

Current law establishes the thirteen state and statewide retirement systems and provides various provisions with respect to the reemployment of retirees.

Current law generally allows retirees to collect a pension and a paycheck while reemployed in a position requiring active membership in a state or statewide retirement system. During such period of reemployment, retirees generally accrue additional benefits, and both employee and employer contributions are made to the system.

Proposed Law

HB 60 requires the suspension of retirement benefits during periods of reemployment for members of state and statewide retirement systems, who retire on or after July 1, 2013, and become reemployed in a position eligible for membership in any such system. During the period of reemployment, no employee or employer contributions will be paid to the system, and no additional service credit or supplemental benefit will be earned.

HB 60 also requires both the reemployed retiree and the employer to immediately notify the appropriate retirement system with the retiree's date of reemployment and the estimated duration of reemployment, and upon termination, the date of termination of reemployment. If the system has not received the required notification of reemployment, the employer is required to repay the system for any benefit payments to the reemployed retiree.

Implications of the Proposed Changes

If HB 60 is enacted, retirement benefits will be suspended for reemployed retirees of state and statewide retirement systems who retire on or after July 1, 2013, and the accrual of additional benefits during periods of reemployment will be prohibited.

HB 60 has no effect on any member of state and statewide retirement systems who retired on or before June 30, 2013. Suspension of benefit rules under HB 60 will apply only to members who retire on or after July 1, 2013.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

If HB 60 is enacted, the opportunity for a member to retire earlier than he would have otherwise, because he anticipates employment to supplement his retirement income, will be eliminated. With the proposed law in effect, a member who retires on or after July 1, 2013, will not be able to return to work for an employer participating in any of the state or statewide retirement systems and simultaneously collect a pension from a state or statewide system. In the future, an active member will perhaps more carefully consider his retirement decision and delay his retirement until he can afford to live without supplementing his pension benefit. If this occurs, actuarial costs associated with the retirement systems will be reduced.

Because each state and statewide retirement system has a unique set of provisions relative to the reemployment of retirees and the suspension of benefits during such reemployment periods, it is not possible to estimate the actuarial savings associated with HB 60. However, the general effects of HB 60 on actuarial costs are summarized below:

1. The actuarial present value of future benefit payments will be reduced. Delayed retirement will reduce the number of years for which a pension benefit will be paid. On the other hand, delayed retirement will increase the pension benefit that eventually will be paid to a member because he will have more service credits and his pay may be larger. However, the net effect will be a reduction in the present value cost.

2. The accrued liability of state and statewide retirement systems will not change. HB 60 pertains to those who retire in the future. Existing accrued liabilities are not affected.

3. Unfunded accrued liabilities of state and statewide retirement systems will not be affected by HB 60 because neither existing assets nor existing accrued liabilities are affected.

4. Future normal costs and future accrued liabilities will decrease as a result of HB 60. Future employer contribution requirements will also decrease.

Other Post Retirement Benefits

Future actuarial accrued liabilities for post-employment benefits other than pensions will decrease because members will delay retirement as a result of HB 60.

Analysis of Fiscal Costs

HB 60 will have the following effects on fiscal costs during the five year measurement period. This analysis is based on the assumption that an open position, not filled by a retiree, will be filled by someone else at a comparable salary.

Expenditures:

1. Expenditures from the State General Fund will decrease to the extent that future employer contribution requirements decrease.

2. Expenditures from state and statewide retirement systems (Agy Self-Generated) will decrease to the extent that members will postpone retirement and because benefit payments will be suspended during a retiree's reemployment.

3. Expenditures from Local Funds will decrease to the extent that future employer contribution requirements decrease.

Revenues:

- State and statewide retirement system revenues (Agy Self-Generated) will decrease to the extent that employer contribution requirements decrease.

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	**House**
☐ 13.5.1 ≥ \$100,000 Annual Fiscal Cost	☐ 6.8(F) ≥ \$500,000 Annual Fiscal Cost
☐ 13.5.2 ≥ \$500,000 Annual Tax or Fee Change	☐ 6.8(G) ≥ \$500,000 Annual Tax or Fee Change