


**2014 REGULAR SESSION
ACTUARIAL NOTE HB 87**

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| <p>House Bill 87 HLS 14RS-719 Enrolled</p> <p>Author: Representative Michael E. Danahay</p> <p>Date: May 22, 2014</p> <p>LLA Note HB 87.04</p> <p>Organizations Affected: Municipal Employees' Retirement System</p> <p>EN NO IMPACT APV</p> | <p>The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of the Note to HB 87 provides compliance with the requirements of R.S. 24:521.</p> <p align="center">  Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services </p> |
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Bill Header: RETIREMENT/MUNICIPAL EMP: Provides for shared employment between the Vinton Public Power Authority and another employer in the Municipal Employees' Retirement System and provides guidelines and restrictions relative to creditable service for such employment

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.

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| Actuarial Cost/(Savings) to Retirement Systems and OGB | \$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.

| Actuarial Cost (Savings) to: | <u>Increase (Decrease) in The Actuarial Present Value</u> |
|---|--|
| 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 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 | 2014-15 | 2015-16 | 2016-17 | 2017-2018 | 2018-2019 | 5 Year Total |
|---------------------|----------------|----------------|----------------|------------------|------------------|---------------------|
| 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 |

| REVENUES | 2014-15 | 2015-16 | 2016-17 | 2017-2018 | 2018-2019 | 5 Year Total |
|--------------------|----------------|----------------|----------------|------------------|------------------|---------------------|
| 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 provides that the Vinton Public Power Authority is a participating employer in the Municipal Employees' Retirement System (MERS). An employee must be employed by a participating employer in MERS for at least 35 hours per week.

Proposed Law

HB 87 law provides an exception for an individual working part time for both the Vinton Public Power Authority (VPPA) and another participating employer of MERS. Benefit eligibility, contributions on earnings, and benefit payments for such a person will be based on cumulative hours and earnings under both VPPA and any other participating employer. However, the member will not accrue any more creditable service than he would have accrued had his employment been with a single employer.

Implications of the Proposed Changes

HB 87 will allow the Town of Vinton and the VPPA to split the employment of certain positions and still permit an employee serving in such a position to remain a member of MERS as long as he works at least 35 hours a week for both employers combined.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

The Town of Vinton and the VPPA are both participating employers of MERS. The Town of Vinton and the VPPA have agreed to split the employment of one or more of these members. However, if they do so, the employees would no longer be eligible for membership in MERS because they would not have full time employment with either participating employer.

Job responsibilities and the conditions of employments of full time employees of the Town, who will become part time employees of the Town and the VPPA under the agreement, will not change. However, these employees will lose their pension rights. Therefore, the agreement between the Town and the VPPA is likely to be implemented only if HB 87 is enacted.

Based on this information, the actuarial value of future benefits will not change. Employees will continue to be employed by the Town if Vinton and accrue benefits under MERS if HB 87 is not enacted. If it is enacted, these employees will continue to accrue benefits under MERS.

Other Post-Employment Benefits

There are no actuarial costs associated with HB 87 for post-employment benefits other than pensions.

Analysis of Fiscal Costs

There are no fiscal costs associated with HB 87.

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 approved 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 87 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