


**2016 REGULAR SESSION  
ACTUARIAL NOTE SB 15**

<p>Senate Bill 15 SLS 16RS-37 Engrossed</p> <p>Author: Senator Fred Mills Jr. Date: March 30, 2016</p> <p>LLA Note SB 15.02</p> <p>Organizations Affected: Louisiana State Employees' Retirement System (LASERS)</p> <p>EG INCREASE APV</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 SB 15 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:** STATE EMPLOYEE RET. Adds the Iberia Parish Levee, Hurricane and Conservation District to the system. (7/1/16)

**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	\$0
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	Increase	Increase	Increase	Increase	Increase
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	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	0	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	Increase	Increase	Increase	Increase	Increase
Annual Total	\$ 0	Increase	Increase	Increase	Increase	Increase

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**Bill Information:**

**Current Law**

Employees of the Iberia Parish Levee, Hurricane and Conservation District are not currently members of any Louisiana public retirement system.

**Proposed Law**

SB 15 will permit the Iberia Parish Levee, Hurricane and Conservation District to become a participating employer in LASERS. However, to do so, the Board of Commissioners must adopt a resolution on or before September 30, 2016 declaring the district to be a participating employer. If it fails to do so, the legislation will become null and void.

Employees of the Iberia Parish Levee, Hurricane and Conservation District will become members of LASERS on the first pay period following the receipt of the resolution by LASERS.

**Implications of the Proposed Changes**

The Iberia Parish Levee, Hurricane and Conservation District is estimated to have one employee who will become a member of LASERS under SB 15.

**Cost Analysis:**

**Analysis of Actuarial Costs**

SB 15 contains benefit provisions having an actuarial cost. At least one individual will become a member of LASERS and receive a benefit under SB 15 that would not have been a member entitled to benefits under current law.

**Retirement Systems**

There is no accrued liability associated with an employee of the Iberia Parish Levee, Hurricane and Conservation District becoming a member of LASERS. The cost of future benefit accruals will be funded as service credits are earned. Therefore, there will be no increase in the unfunded accrued liability of the plan.

The total LASERS normal cost in dollars will increase when employees of the Iberia Parish Levee, Hurricane and Conservation District become members.

**Other Post-Employment Benefits**

There are no actuarial costs associated with SB 15 for post-employment benefits other than pensions.

**Analysis of Fiscal Costs**

SB 15 will have the following effects on fiscal costs during the five year measurement period.

Expenditures:

1. Expenditures from the General Fund will increase to the extent that the state finances the budget for the Iberia Parish Levee, Hurricane and Conservation District. The Iberia Parish Levee, Hurricane and Conservation District will now have to pay the employer contribution rate to LASERS based on the salaries of its employees.
2. Expenditures from LASERS (Agy Self-Generated) will increase only if an employee of the Iberia Parish Levee, Hurricane and Conservation District terminates employment during the five year fiscal measurement period and becomes entitled to a refund of his own contributions.
3. Expenditures from Local Funds will increase because the District is either funded through local funds, through the state General Fund, or through a combination thereof. Regardless, District resources become local funds as soon as they are received from the state or other supporting entity. Local Fund expenditures will increase to pay for employer contribution requirements to the retirement system.

Revenues:

1. LASERS revenues (Agy Self-Generated) will increase by employer and employee contributions.
2. Local Fund revenues from the General Fund will increase to the extent that the state finances the budget for the Iberia Parish Levee, Hurricane and Conservation District.

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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 SB 15 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