ACTUARIAL NOTE
REGULAR SESSION 2009

House Bill 561: SLS 09RS-861
Original / No Amendments

Author: Representative Pope
May 4, 2009

LA #17.01
Certain Statewide Systems

OR 5yr Ttl: The Cost Cannot Be Determined.

Preparation of this Note was directed by the Actuarial Services Division of this office

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<u>Bill Provisions</u>:

Relative to the Assessor's Retirement Fund (ASSR), the Clerks' of Court Retirement and Relief Fund (CCRS), the Municipal Employees' Retirement System of Louisiana (MPERS), the Parochial Employees' Retirement System of Louisiana (PERS), the Sheriff's Pension and Relief Fund (SPRF), and the Registrars of Voters Employees' Retirement System (RVRS); establishes Funding Deposit Accounts into which surplus contributions will be deposited, accumulated, and dispersed in at the discretion of the Boards of Trustees (Boards).

Estimated Fiscal Impact

EXPENDITURES:	2009-10	2010-11	2011-12	2012-13	2013-14	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	2009-10	2010-11	2011-12	2012-13	2013-14	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

<u>Purpose</u>: Establishes Funding Deposit Accounts that may be used by the Boards to reduce contributions that may otherwise be due to the retirement systems.

<u>Existing Provisions</u>: Current law authorizes the Boards to maintain the net direct employer contribution rate in effect during any fiscal year in which the rate would otherwise be decreased. Current law specifies that such excess contributions must be used in a specific order with the first such use being to reduce the unfunded accrued liability of the plan.

<u>Proposed Provisions</u>: Proposed law provides that such excess contributions be deposited into a Funding Deposit Account and accumulated with interest at the valuation interest rate, which is currently 8.0% per year. The Boards may elect to reduce the Funding Deposit Account in future years by all or a portion of the account balance. The Boards, at their discretion, may use the amounts charged against the Funding Deposit Account to reduce the unfunded accrued liability, to reduce the present value of future normal costs, or to pay all or a portion of any future net employer contributions.

<u>Actuarial Impact</u>

Actuarial Cost Impact:

1. Assets in the six retirement funds will be less after the 2010-11 fiscal year than what they would have been had House Bill 561 not been enacted.

2. As a result the unfunded accrued liability of the six plans will be greater by identical amounts.

3. The decrease in assets (increase in unfunded accrued liability) will depend on the investment performance of the six retirement funds over the period January 1, 2009 through December 31, 2010.

4. Actuarial costs cannot be determined until December 31, 2010.

<u>Potential Accrued Liability</u>: House Bill 561 will have no impact on the actuarial accrued liability for the six retirement plans. However, the unfunded accrued liability for the six plans will be affected, most likely in a negative manner.

<u>Actuarial Analysis</u>:

The table below shows the increase in the unfunded accrued liability that would occur under alternative assumptions about annual rates of return on investments for 2009 and 2010.

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Increase / (Decrease) in the Unfunded Accrued Liability Associated with House Bill 561
(Thousands of Dollars)

Assumed Rates of Return	ASSR	CCRS	MERS	PERS	SPRF	RVRS	Total
10.0%	$ (164)	Negligible	$ (292)	$ 0	$ (1,174)	Negligible	$(1,630)
8.0%	0	Negligible	0	0	0	Negligible	0
5.0%	243	Negligible	432	0	1,582	Negligible	2,257
0.0%	637	Negligible	1,136	0	4,142	Negligible	5,915
-5.0%	1,017	Negligible	1,819	0	6,605	Negligible	9,441
-10.0%	1,381	Negligible	2,481	0	8,972	Negligible	12,834
-15.0%	1,731	Negligible	3,122	0	11,241	Negligible	16,094

The following assumptions were made in preparing the above estimates.

1. As a result of investment losses, contribution requirements for the six retirement plans for the 2010-11 fiscal year – based on the June 30, 2009 actuarial valuations - will be significantly larger than required for prior years.

2. The Boards of Trustees will use the balances in the Funding Deposit Accounts as of December 31, 2010 to reduce contributions that would otherwise be required.

3. It is likely that annual rates of return on plan assets will be less than the assumed rate of 8.0%.

These costs are based on projections made using general approximation techniques. The “true” cost will depend on actual investment returns on assets in the six retirement plans during the period from January 1, 2009 through December 31, 2010.

Fiscal Impact:

Changes in the unfunded accrued liability for the six retirement plans will affect the June 30, 2011 actuarial valuations and employer contribution requirements for the 2012-13 fiscal year.

Dual Referral Rules:

Estimated Fiscal Impact>= $500,000? No, assuming an annual investment rate of return of 8.0%