


**2015 REGULAR SESSION
ACTUARIAL NOTE HB 45**

<p>House Bill 45 HLS 15RS-432 Engrossed</p> <p>Author: Representative J. Kevin Pearson Date: April 28, 2015</p> <p>LLA Note HB 45.02</p> <p>Organizations Affected: Louisiana State Employees' Retirement System</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 HB 45 provides compliance with the requirements of R.S. 24:521</p> <div style="text-align: center;">  Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services </div>
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Bill Header: Provides relative to implementation of new age sixty-two retirement eligibility for new hires in state systems

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.

<u>Actuarial Cost to:</u>	<u>Change in the Actuarial Present Value</u>
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.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 Year Total
State General Fund	Increase	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	0	0	0	0	0
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
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	0	0	0	0	0
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

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Bill Information:

Current Law

Under current law, membership in the Louisiana State Employees' Retirement System (LASERS) is optional for a state employee age 60 and older at the time of employment.

Proposed Law

Under HB 45, membership in LASERS will be optional for a state employee age 62 and older at the time of employment.

Implications of the Proposed Changes

HB 45 only affects new state employees who are at least age 60 but less than age 62 at the time of employment. These employees will be required to become members of LASERS. They will not have the right to opt out of participation.

Cost Analysis:

Analysis of Actuarial Costs

HB 45 will eliminate the right of a new state employee, age 60 to age 62 at the time of employment, to opt out of LASERS. HB 45 will force such a member to join the system. This is an improvement in benefits payable by the retirement system and there is an increase in actuarial costs associated with this mandate to join the system.

Retirement Systems

HB 45 has the following effect on actuarial costs.

1. The present value of future benefits will increase.
2. The number of new participants entering LASERS in the future will increase.
3. The total normal cost will increase because there will be more members earning benefits.
4. The employer normal cost rate is likely to increase because normal costs for older individuals (these between age 60 and 62) are greater than normal costs for system members prior to the enactment of HB 45.
5. The UAL for LASERS will not change.
6. The employer amortization contribution rate will decrease because the UAL will be spread over a larger payroll. However, employer contributions to the UAL will not change.

Other Post-Employment Benefits

HB 45 is unlikely to create additional costs relative to post-retirement benefits other than pensions. Individuals affected by HB 45 are not likely to have enough participation in the OGB health plan to receive any premium share from the state.

Analysis of Fiscal Costs

Under HB 45, the revenue to LASERS is more than the benefit accrual associated with new entrants. HB 45 will have the following effect on fiscal costs:

Expenditures:

1. Expenditures from General Fund will increase during the 5-year fiscal measurement period because the total normal cost for LASERS is likely to be larger with HB 45 than without.
2. Expenditures from the LASERS (Agy Self-Generated) will increase to pay benefits to members affected by HB 45 who terminate employment during the five year fiscal measurement period.

Revenues:

- LASERS revenues (Agy Self-Generated) will increase during the 5-year measurement period because the dollar amount of required employee and employer contribution will increase.

It is likely that fiscal costs will increase more than \$100,000 during the three years immediately following the 2015 session.

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.

Actuarial Caveat

There is nothing in HB 45 that will compromise the signing actuary's ability to present an unbiased statement of actuarial opinion.

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Actuarial Credentials:

Paul T. Richmond is the actuary 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