


**2014 REGULAR SESSION
ACTUARIAL NOTE SB 30**

<p>Senate Bill 30 SLS 14RS-159 Original</p> <p>Author: Senator Page Cortez</p> <p>Date: March 13, 2014</p> <p>LLA Note SB 30.01</p> <p>Organizations Affected: Louisiana State Employees' Retirement System</p> <p>OR INCREASE 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 SB 30 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: STATE EMPLOYEE RET. Provides for technical corrections. (2/3 – CA10s29(F))(6/30/14)

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.

Actuarial Cost/(Savings) to Retirement Systems and OGB	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 (Savings) to:</u>	<u>Increase (Decrease) in The Actuarial Present Value</u>
All Louisiana Public Retirement Systems	Increase
Other Post Retirement Benefits	Increase
Total	Increase

This bill complies with the Louisiana Constitution which requires unfunded liabilities created by an improvement in benefits to be amortized over a period not to exceed ten years.

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	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	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	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	\$ 0	Increase	Increase	Increase	Increase	Increase

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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

Bill Information:

Current Law

Current law provides for the following:

1. **§446(F)** – If a member selects any form of benefit other than a joint and survivor benefit and if the member fails to provide an appropriately executed spousal consent to such form of benefit, then LASERS shall establish the benefit as if the member had selected the Option 3 joint and survivor annuity.
2. **§450(B)** – An employee who continues in employment after the end of the DROP period must resume making employee contributions to the system. Current law specifies that for certain public safety employees, the employee contribution rate will be that prescribed in current law.
3. **§471.1(G)** – If a member dies, even after retirement, eligible minor children shall receive specified survivor benefits. This provision pertains to members first employed on or after January 1, 2011.

Proposed Law

SB 30 revises current law as summarized below:

1. **§446(F)** – SB 30 clarifies that LASERS will make the selection of the Option 3 annuity at the time of the member's retirement.
2. **§450(B)** – SB 30 clarifies that all employees (not just certain public safety employees) continuing employment after exiting DROP will resume making employee contributions in accordance with rates specified in the law.
3. **§471.1(G)** – SB 30 provides that eligible children (not eligible *minor* children) will receive specified survivor benefits. As a result, adult handicapped minor children will be eligible for survivor benefits.

Implications of the Proposed Changes

SB 30 makes two remedial corrections to current law and one modification that will result in adult handicapped children of members hired on or after January 1, 2011, being eligible for survivor benefits

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

There is no actuarial cost associated with the changes SB 30 will make to §446(F) and §450(B).

The change that SB 30 makes to §471.1(G) will result in an increase in actuarial costs. Under SB 30, adult handicapped children will be eligible for survivor benefits. Under current law they are not eligible. The number of handicapped children that potentially will become eligible as a result of SB 30 cannot be determined. The number is relatively small, but there will be some who qualify under SB 30 who would not have qualified under current law. The actuarial cost in dollars cannot be measured.

Other Post-Employment Benefits

The change made to §471.1(G) will also result in higher costs associated with other post-employment benefits. Under current law, OPEB benefits would be paid at least until the member's handicapped child attains the age of majority. Under SB 30, OPEB benefits will continue to adult handicapped child for as long as he lives.

Analysis of Fiscal Costs

SB 30 will have the following effects on fiscal costs during the five year measurement period.

Expenditures:

1. Expenditures from General Funds will increase as employer contributions are increased to accommodate the additional benefits that will be paid under §471.1(G).

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2. Expenditures from LASERS (Agy Self-Generated) will increase as payments are made to survivors of adult handicapped children who would not have received payments under current law. The amount of additional benefit payments cannot be measured. However, it is possible that the total amount paid over the next three years could exceed \$100,000.

Revenues:

- LASERS revenues (Agy Self-Generated) will increase as employer contributions are increased to accommodate the additional benefits that will be paid under §471.1(G).

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 prepared by the office of the Legislative Auditor which will be presented to PRSAC on March 18, 2014..

Actuarial Caveat

There is nothing in SB 30 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.