2011 REGULAR SESSION
ACTUARIAL NOTE HB 377

House Bill 377 HLS 11RS-759 Original **Author: Representative Kevin Pearson** **Date: May 2, 2011** **LLA Note HB 377.01** **Organizations Affected:** **All State and Statewide Retirement Systems** **OR NO IMPACT APV**	**The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor.** Paul T. Richmond **Paul T. Richmond, ASA, MAAA, EA** **Manager Actuarial Services**

Bill Header: RETIREMENT/STATE-STWIDE: relative to state and statewide retirement systems provides with respect to earnable compensation and service credit for any member of such a system elected to the legislature.

Cost Summary:

Actuarial Cost/(Savings) to Retirement Systems and OGB	$0
Total Five Year Fiscal Cost	
Expenditures	Decrease
Revenues	Decrease

Estimated Actuarial Impact:

The chart below shows the estimated increase/(decrease) in the actuarial value of benefits, if any, attributable to the proposed legislation. Note: it includes the present value cost of fiscal costs associated with benefit changes. It does **not** include present value costs associated with administration or other fiscal concerns.

Actuarial Cost (Savings) to:	**Increase (Decrease) in The Actuarial Present Value**
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.

EXPENDITURES	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**5 Year Total**
State General Fund	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Agy Self Generated	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Annual Total	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

REVENUES	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**5 Year Total**
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Agy Self Generated	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
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	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

Bill Information:

Current Law

An individual becoming a member of the legislature on or after January 1, 1997 is not entitled to accrue special legislative benefit accruals for employment as a legislator under R.S. 24:36 except as follows:

1. An individual who served in the legislature before January 1, 1997 will earn special legislative benefit accruals for employment as a legislator after January 1, 1997.

2. An individual who was a member of a state or statewide retirement system prior to January 1, 1997 will earn special legislative benefit accruals for employment as a legislator after January 1, 1997.

An individual who was not a member of the legislature before January 1, 1997 or a member of a state or statewide retirement system before January 1, 1997 will not earn special legislative benefit accruals for employment as a legislator after January 1, 1997.

Proposed Law

Under HB 377, an individual who is a member of a state or statewide retirement system, who is not a member of the legislature on June 30, 2011, and who is elected to a term of office in the legislature on or after July 1, 2011 shall not earn special benefit accruals under R.S. 24:36 for employment as a legislator after July 1, 2011.

Implications of the Proposed Changes

HB 377 affects only those individuals who are members of a state or statewide retirement system who are not currently a member of the legislature but who are elected to the legislature on or after July 1, 2011. Such an individual will not receive special legislative benefit accruals for his employment as a legislator after July 1, 2011.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

HB 377 will have no effect on the actuarial costs. The present value of benefits attributable to denied credits is equal to the present value of the employer and employee contributions necessary to finance the denied credits.

Other Post Retirement Benefits

There are no actuarial costs associated with HB 377 for post-retirement benefits other than pensions.

Analysis of Fiscal Costs

HB 377 will have the following effects on fiscal costs during the five year measurement period. The analysis below pertains to a single member of a state or statewide retirement system who is denied special legislative benefit accruals under HB 377.

Expenditures:

1. Expenditures from the State General Fund will be reduced to the extent that employer contribution requirements will be smaller because such benefit accruals are denied.

2. Expenditures from a state or statewide retirement system for benefit payments (Agency Self Generated expenditures) will be reduced to the extent that such benefit accruals are denied.

3. Expenditures from Local Funds will be reduced to the extent that such benefit accruals are denied and to the extent that special benefit accruals for a member of statewide system would otherwise have been financed from local funds.

Revenues:

1. Revenues to state and statewide retirement systems (Agency Self Generated revenues) will be reduced to the extent that employer contribution requirements are reduced.

2. Revenues to state and statewide retirement systems (Agency Self Generated revenues) will be reduced to the extent that employee contributions on the member's income from employment as a legislator will be reduced.

If a member of a state or statewide retirement system satisfying the conditions of HB 377 should be elected to the legislature during the fiscal cost measurement period, the reduction in revenues during the measurement period will exceed the reduction of expenditures. Therefore there would be a net fiscal cost. Such cost would be negligible.

Additional costs to administer the provisions of HB 377 are negligible.

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 to render the actuarial opinion contained herein.

2011 REGULAR SESSION
ACTUARIAL NOTE HB 377

Dual Referral:

Senate

☐ 13.5.1 ≥ $100,000 Annual Fiscal Cost

☐ 13.5.2 ≥ $500,000 Annual Tax or Fee Change

House

☐ 6.8(F)(1) ≥ $500,000 Annual Fiscal Cost

☐ 6.8(F)(2) ≥ $100,000 Annual SGF Fiscal Cost

☐ 6.8(G) ≥ $500,000 Annual Tax or Fee Change