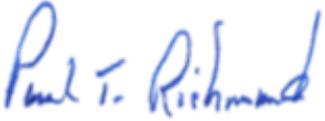


**2012 REGULAR SESSION  
ACTUARIAL NOTE HB 1048**

|   |   |
|---|---|
| <p><b>House Bill 1048 HLS 12RS-1421<br/>Original</b></p> <p><b>Author: Representative J. Rogers<br/>Pope</b></p> <p><b>Date: April 18, 2012</b></p> <p><b>LLA Note HB 1048.01</b></p> <p><b>Organizations Affected:<br/>Teachers' Retirement System of<br/>Louisiana (TRSL)</b></p> <p><b>OR INCREASE APV</b></p> | <p>The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor.</p> <div style="text-align: center;"> <br/> <b>Paul T. Richmond, ASA, MAAA, EA</b><br/> <b>Manager Actuarial Services</b> </div> |
|---|---|

**Bill Header:** RETIREMENT/TEACHERS: Provides for the maintenance of tax qualification status for Teachers' Retirement System of La.

**Cost Summary:**

|  |          |
|--|----------|
| Actuarial Cost/(Savings) to Retirement Systems and OGB | Increase |
| Total Five Year Fiscal Cost                            |          |
| Expenditures   | Increase |
| Revenues   | Increase |

The increases are small to the point of being negligible.

**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.

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

The increases are small to the point of being negligible.

**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.

| <b>EXPENDITURES</b> | <b>2012-13</b> | <b>2013-14</b> | <b>2014-15</b> | <b>2015-16</b> | <b>2016-2017</b> | <b>5 Year Total</b> |
|---------------------|----------------|----------------|----------------|----------------|------------------|---------------------|
| 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         | Increase       | Increase       | Increase       | Increase       | Increase         | Increase            |
| Annual Total        | Increase       | Increase       | Increase       | Increase       | Increase         | Increase            |

| <b>REVENUES</b>    | <b>2012-13</b> | <b>2013-14</b> | <b>2014-15</b> | <b>2015-16</b> | <b>2016-2017</b> | <b>5 Year Total</b> |
|--------------------|----------------|----------------|----------------|----------------|------------------|---------------------|
| 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            |

The increases are small to the point of being negligible

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**Bill Information:**

**Current Law**

Federal law requires retirement plans to provide special benefit rights to members serving in the military. Louisiana law pertaining to the Teachers' Retirement System of Louisiana (TRSL) does not contain these provisions.

**Proposed Law**

HB 1048 will bring TRSL into compliance with federal law.

**Implications of the Proposed Changes**

HB 1048 will bring TRSL into compliance with federal law. As a result TRSL will continue to maintain its status as a tax qualified retirement plan.

**Cost Analysis:**

**Analysis of Actuarial Costs**

**Retirement Systems**

Special benefit rights will be given to members of TRSL who serve in the military under certain circumstances. These new rights primarily pertain to the granting of service credits under special circumstances such as for benefits for survivors of members who die while in military service. Any increase in benefit rights under a retirement plan has an actuarial cost. The increase in actuarial cost is small to the point of being negligible.

**Other Post Retirement Benefits**

There are no actuarial costs associated with HB 1048 for post-retirement benefits other than pensions.

**Analysis of Fiscal Costs**

Changes in fiscal costs are summarized below:

Expenditures:

1. Expenditures from the General Fund will increase to the extent that contribution requirements for employers in higher education increase to pay for additional benefit and administrative costs. These expenditures are expected to be small to the point of being negligible.
2. Expenditures from TRSL (Agy Self-Generated) will increase to the extent that a member will be entitled to special benefit rights that he otherwise may not have been entitled to. These expenditures are expected to be small to the point of being negligible.
3. Expenditures from Local Funds will increase to the extent that contribution requirements for employers in pre K-12 increase to pay for additional benefit and administrative costs. These expenditures are expected to be small to the point of being negligible.

Revenues:

1. Revenues for TRSL (Agy Self-Generated) are expected to increase to the extent that employer contribution requirements increase.

**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  $\geq$  \$100,000 Annual Fiscal Cost

13.5.2  $\geq$  \$500,000 Annual Tax or Fee Change

**House**

6.8(F)(1)  $\geq$  \$500,000 Annual Fiscal Cost

6.8(G)  $\geq$  \$500,000 Annual Tax or Fee Change