

2012 REGULAR SESSION
ACTUARIAL NOTE HB 1050

House Bill 1050 HLS 12RS-1973 Original Author: Representative Harold L. Ritchie Date: April 18, 2012 LLA Note HB 1050.01 Organizations Affected: Municipal Police Employees’ Retirement System (MPERS) OR INCREASE APV	The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor.  Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services
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Bill Header: RETIREMENT/MUNICIPAL POL: Provides for tax qualification status for of the Municipal Police Employees’ Retirement System.

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.

<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

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.

EXPENDITURES	2012-13	2013-14	2014-15	2015-16	2016-2017	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	Increase	Increase	Increase	Increase	Increase	Increase
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

REVENUES	2012-13	2013-14	2014-15	2015-16	2016-2017	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

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 Municipal Police Employees’ Retirement System (MPERS) does not contain these provisions.

Proposed Law

HB 1050 will bring MPERS into compliance with federal law.

Implications of the Proposed Changes

HB 1050 will bring MPERS into compliance with federal law. As a result MPERS 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 MPERS 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 1050 for post-retirement benefits other than pensions.

Analysis of Fiscal Costs

Changes in fiscal costs are summarized below:

Expenditures:

1. Expenditures from MPERS (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.
2. Expenditures from Local Funds will increase to the extent that employer contribution requirements 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 MPERS (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:

<u>Senate</u>	<u>House</u>
☐ 13.5.1 ≥ \$100,000 Annual Fiscal Cost	☐ 6.8(F)(1) ≥ \$500,000 Annual Fiscal Cost
☐ 13.5.2 ≥ \$500,000 Annual Tax or Fee Change	☐ 6.8(G) ≥ \$500,000 Annual Tax or Fee Change