

2012 REGULAR SESSION
ACTUARIAL NOTE HB 1202

House Bill 1202 HLS 12RS-2059 Reengrossed with House Floor Amendments #3065 and #3808 Author: Representative J. Kevin Pearson Date: May 10, 2012 LLA Note HB 1202.03 Organizations Affected: District Attorneys' Retirement System of Louisiana (DARS) RE 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/DISTRICT ATTY: Relative to District Attorneys’ Retirement System

Cost Summary:

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

The increase is expected to be 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.

Actuarial Cost (Savings) to:	<u>Increase (Decrease) in</u> <u>The Actuarial Present Value</u>
All Louisiana Public Retirement Systems	Increase
Other Post Retirement Benefits	\$0
Total	Increase

The increase is expected to be 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	\$ 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	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	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

The increase is expected to be small to the point of being negligible.

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Bill Information:

Current Law

Under current law:

1. Creditable service does not include military service earned while on a leave of absence under the Uniformed Services Employment and Reemployment Rights Act (USERRA).
2. No special rights to survivors of members who die in military service are provided.
3. Plan provisions are not sufficient to satisfy the standards necessary to maintain the qualified status of the plan under rules set forth by the Internal Revenue Service.
4. There is no excess benefit arrangement.

Proposed Law

Under HB 1202:

1. Creditable service will include military service earned while on a leave of absence under USSERA as long as the member makes the contributions he otherwise would have made for such service.
2. A survivor of a member who dies on military leave under USSERA will be entitled to receive a death benefit.
3. Plan provisions will be modified to maintain the qualified status of the plan under rules set forth by the Internal Revenue Service.
4. Members of DARS will be able to participate in an Excess Benefit arrangement. IRS qualified plan provisions may result in some members of DARS receiving a smaller benefit from the retirement system than what they otherwise would be entitled. The excess benefit arrangement, which is a non-qualified retirement plan, will make payments to the member that he would otherwise receive, but for the benefit limitations under the qualified plan imposed by IRS rules.

Implications of the Proposed Changes

HB 1202 provides for compliance with federal tax qualification requirements.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

There is an actuarial cost associated with the provisions of HB 1202 that gives creditable service for periods of time spent in military service while on a military leave of absence under USERRA. This cost is offset to some extent by contributions required from the member. There is also an actuarial cost associated with the additional death benefits granted in compliance with USERRA. These costs are small to the point of being negligible.

Other Post Retirement Benefits

There is no actuarial cost associated with HB 1202 for post-retirement benefits other than pensions.

Analysis of Fiscal Costs

Changes in fiscal costs are summarized below:

Expenditures:

1. Expenditures from DARS (Agy Self-Generated) will increase to the extent that members on military leave will be granted additional service credits or survivors of members who die while in military service will receive special death benefits. This increase is 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 account for the additional benefits being granted under USERRA. This increase is expected to be small to the point of being negligible.

Revenues:

1. Revenues for DARS (Agy Self-Generated) are expected to increase to the extent that employer contribution requirements increase to account for the additional benefits being granted under USERRA. This increase is expected to be small to the point of being negligible.

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2. Revenues to DRS (Agy Self-Generated) are expected to increase to the extent that members on military leave elect to make employee contributions to obtain service credits.

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) $\geq$ \$500,000 Annual Fiscal Cost
- ☐ 6.8(G) $\geq$ \$500,000 Annual Tax or Fee Change