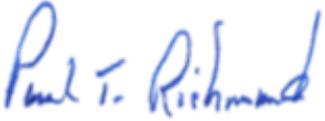


**2012 REGULAR SESSION  
ACTUARIAL NOTE HB 10**

<p><b>House Bill 10 HLS 12RS-108</b>  <b>Reengrossed with Legislative Bureau</b>  <b>Amendment #4843 and Senate Floor</b>  <b>Amendment #5057</b></p> <p><b>Author: Representative Anthony V.</b>  <b>Ligi</b>  <b>Date: May 24, 2012</b></p> <p><b>LLA Note HB 10.04</b></p> <p><b>Organizations Affected:</b>  <b>All Louisiana public retirement</b>  <b>systems</b></p> <p><b>RE1 +\$43,597 FC SG EX</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;">   <b>Paul T. Richmond, ASA, MAAA, EA</b>  <b>Manager Actuarial Services</b> </div>
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**Bill Header:** RETIREMENT BENEFITS: Requires forfeiture of retirement benefits by any public employee or elected official who is a member of a public retirement system and is convicted of certain state or federal felony acts associated with his office.

**Cost Summary:**

Actuarial Cost/(Savings) to Retirement Systems and OGB	\$0
Total Five Year Fiscal Cost	
Expenditures	\$72,193
Revenues	\$0

**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</u> <u>The Actuarial Present Value</u>
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.

<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	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	43,597	6,868	7,052	7,241	7,435	72,193
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	\$ 43,597	\$ 6,868	\$ 7,052	\$ 7,241	\$ 7,435	\$ 72,193

<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	0	0	0	0	0	0
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	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

## **2012 REGULAR SESSION ACTUARIAL NOTE HB 10**

### **Bill Information:**

#### **Current Law**

Current law does not require forfeiture of retirement benefits by a public employee or elected official who is a member of a Louisiana public retirement system even if he is convicted of a felony associated with his office.

#### **Proposed Law**

HB 10 will require the forfeiture of benefits earned on or after January 1, 2013 from a Louisiana public retirement system if a public employee or official is convicted of a state or federal felony associated with his employment or office. The following conditions must be satisfied for forfeiture to occur:

1. The member must have been first employed or reemployed on or after January 1, 2013.
2. The member commits a “public corruption crime” on or after January 1, 2013 and is convicted of that crime.
3. The court determines that forfeiture is appropriate.

The court has the following options regarding benefits otherwise payable to the member from a public retirement system:

1. The court may order forfeiture of the convicted member’s right to receive any benefit from a public retirement system except his own contributions without interest.
2. If the court orders the member to make restitution for monetary losses incurred as a result of the crime, the court may also require the member’s contributions without interest be used for such purpose.
3. Depending upon circumstances, the court may award some or all of the member’s non-forfeited benefit to the member’s spouse, dependent, or former spouse. Such benefit shall be calculated in accordance with the existing community property law.

Survivor benefits being received by an unmarried spouse, minor children, or handicapped children will be based only on the amount of the member’s benefit forfeited to the retirement system. Such benefit will not be based on any amounts remitted to the member directly or as a restitution payment.

Judicially recognized community property interests of a current or former spouse will not be impinged upon.

This Act shall take effect and become operative if and when the proposed amendments of Article X of the Constitution of Louisiana, contained in the Act which originated as House Bill 9 of this 2012 Regular Session, is adopted at a statewide election to be held in 2012 and becomes effective.

#### **Implications of the Proposed Changes**

HB 10 provides for the forfeiture of employer provided retirement benefits in the event a public employee or official is convicted of a state or federal felony associated with his employment and the felony is committed on or after January 1, 2013.

The proposed law will apply only to employees and officials hired on or after January 1, 2013. It does not apply to employees and officials already employed in Louisiana government.

### **Cost Analysis:**

#### **Analysis of Actuarial Costs**

##### **Retirement Systems**

There are no actuarial costs associated with HB 10.

##### **Other Post Retirement Benefits**

There are no actuarial costs associated with HB 10 for post-employment benefits other than pensions.

#### **Analysis of Fiscal Costs**

Fiscal costs will vary from one retirement system to another. Fiscal cost information was requested and provided by the four state systems – LASERS, TRSL, STPOL, and LSERS, and three statewide systems – PERS, CCRS, and MERS.

LASERS indicated that there would be an expenditure increase but the amount of increase is indeterminable; legal issues will generate additional administrative costs.

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TRSL and LSERS indicated a need for programming and communication expenses in the first year and additional administrative expenses every year thereafter. Their estimates are shown below:

<b>Year</b>	<b>TRSL</b>	<b>LSERS</b>	<b>Total</b>
2012-13	\$ 13,670	\$ 29,927	\$ 43,597
2013-14	6,244	624	6,868
2014-15	6,412	640	7,052
2015-16	6,585	656	7,241
2016-17	6,763	672	7,435
Total	\$ 39,674	\$ 32,519	\$ 72,193

STPOL PERS, CCRS and MERS state that additional administrative costs cannot be reliably estimated at this time.

Because they are smaller, it is assumed that the rest of statewide systems will be able to administer HB 10 without any additional staff or need for communications.

Although actuarial calculations required under HB 10 are estimated to cost \$300 per calculation, no calculations should be required over the next five years for newly employed members because they will not have earned sufficient service to be vested.

The total fiscal cost during the five year measurement period is estimated to be \$72,193.

**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 ≥ \$100,000 Annual Fiscal Cost

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

**House**

6.8(F) ≥ \$500,000 Annual Fiscal Cost

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