


**2013 REGULAR SESSION
ACTUARIAL NOTE HB 22**

<p>House Bill 22 HLS 13RS-158 Engrossed with House Retirement Committee Amendment #1715</p> <p>Author: Representative Michael E. Danahay Date: April 24, 2013</p> <p>LLA Note HB 22.02</p> <p>Organizations Affected: Sheriffs' Pension and Relief Fund</p> <p>EG DECREASE APV</p>	<p>This Note has been prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of this Note to HB 22 provides compliance with the requirements of R.S. 24:521.</p> <div style="text-align: center;">  Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services </div>
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Bill Header: RETIREMENT/SHERIFFS FUND: Provides relative to the calculation of final average compensation in the Sheriffs' Pension and Relief Fund

Cost Summary:

The estimated actuarial and fiscal impact of the proposed legislative is summarized below. Actuarial costs pertain to changes in the *actuarial present value of future benefit payments*. A cost is denoted by "Increase" or a positive number. Savings are denoted by "Decrease" or a negative number.

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

Estimated Actuarial Impact:

The chart below shows the estimated change in the *actuarial present value of future benefit payments*, if any, attributable to the proposed legislation. A cost is denoted by "Increase" or a positive number. Savings are denoted by "Decrease" or a negative number. Present value costs associated with administration or other fiscal concerns are not included in these values.

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

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. Fiscal costs include estimated administrative costs and costs associated with other fiscal concerns. A fiscal cost is denoted by "Increase" or a positive number. Fiscal savings are denoted by "Decrease" or a negative number.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-2018	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	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Annual Total	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-2018	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

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Bill Information:

Current Law

Under current law, the final average compensation (FAC) for members of Sheriffs' Pension and Relief Fund (SPRF) first employed on or before June 30, 2006 is based on average salary over a period of 36 months with a 125% anti-spiking provision during the FAC period. The FAC for members first employed on or after July 1, 2006 is based on average salary over a period of 60 months. However there is no anti-spiking provision for post 2006 members.

Proposed Law

HB 22 adds a 115% anti-spiking provision for members first employed on or after July 1, 2006.

Implications of the Proposed Changes

HB 22 provides anti-spiking consistency between members of SPRF first employed before and after July 1, 2006.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

HB 22 affects benefits of members of SPRF first employed on or after July 1, 2006. Adding anti-spiking to the FAC calculation will result in a lower benefit for some of these members. Therefore, HB 22 will lead to a decrease in the actuarial present value of future benefit payments, accrued liabilities will decrease, and employer contribution requirements will decrease. The amount of decrease in these actuarial measures cannot be determined using current actuarial software and available census data. However, the decrease is expected to be small to the point of being negligible.

Other Post Retirement Benefits

HB 22 should not have any effect on when a member decides to retire. Therefore, it is unlikely that HB 22 will have any effect on actuarial costs associated with post-retirement benefits other than pensions.

Analysis of Fiscal Costs

HB 22 will have the following effects on fiscal costs during the five year measurement period.

Expenditures:

1. Expenditures from SPRF (Agy self-generated) may decrease beginning in FYE 2014 because some members affected by HB 22 may retire with a smaller benefit than they would have had otherwise. The decrease in expenditures from SPRF during the five year measurement period is expected to be small to the point of being negligible.
2. Expenditures from the Local Funds will decrease beginning in FYE 2015 because there may be a small reduction in employer contribution requirements. However, the reduction will be small to the point of being negligible.

Revenues:

- Revenues to SPRF (Agy self-generated) may decrease beginning in FYE 2015 because there may be a small reduction in employer contribution requirements. However, the reduction will be small to the point of being 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 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