

**2014 REGULAR SESSION
ACTUARIAL NOTE SB 294**

<p>Senate Bill 294 SLS 14RS-324 Enrolled</p> <p>Author: Senator Jean-Paul J. Morrell Date: June 5, 2014</p> <p>LLA Note SB 294.02</p> <p>Organizations Affected: Louisiana State Police Retirement System</p> <p>EN +\$300,000 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 SB 294 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: LAW ENFORCEMENT. Provides relative to rights of law enforcement officers while under investigation. (8/1/14)

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 to Retirement Systems and OGB	\$300,000
Total Five Year Fiscal Cost	
Expenditures	Increase
Revenues	Increase

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.

<u>Actuarial Cost to:</u>	<u>Change in the Actuarial Present Value</u>
All Louisiana Public Retirement Systems	\$300,000
Other Post Retirement Benefits	\$0
Total	\$300,000

This bill complies with the Louisiana Constitution which requires unfunded liabilities created by an improvement in benefits to be amortized over a period not to exceed ten years.

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. Actuarial or fiscal savings are denoted by “Decrease” or a negative number.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-2019	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	Increase	Increase	Increase	Increase	Increase	Increase
Stat Deds/Other	300,000	0	0	0	0	300,000
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-2019	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	300,000	0	0	0	0	300,000
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	\$ 300,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,000

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Bill Information:

This actuarial note pertains only to Section 2 of SB 294 as amended by the Conference Committee Report.

Current Law

Certain members of the Louisiana State Police Retirement System (STPOL) entered DROP before DROP provisions were repealed and replaced with Back-DROP provisions. However, because they entered DROP before it was repealed and replaced by Back DROP, retirement benefits for these members will be determined in accordance with the repealed DROP provisions.

Proposed Law

SB 294 as amended by Conference Committee Report #5647 will provide active members of STPOL who entered DROP before it was repealed with a longevity benefit when they retire. The longevity benefit will be equal to the benefit that such a member would have received had he not entered DROP minus the benefit he is current entitled to (under DROP) minus the actuarial equivalent of his DROP account. The actuarial cost associated with SB 294 will be paid from the balance in the Experience Account.

Implications of the Proposed Changes

Active members of STPOL who entered DROP before it was repealed will be entitled to a longevity benefit.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

SB 294 contains a benefit improvement having an actuarial cost.

The actuarial present value of longevity benefits provided to members of STPOL affected by SB 294 is approximately \$300,000.

Other Post-Employment Benefits

There are no actuarial costs associated with SB 294 relative to post-employment benefits other than pensions.

Analysis of Fiscal Costs

SB 294 will have the following effects on fiscal costs during the five year measurement period.

Expenditures:

1. Expenditures by STPOL (Agy Self-Generated) will increase to the extent that individuals affected by SB 294 retire and collect larger benefits than they would have otherwise.
2. Expenditures from the STPOL Experience Account (State Deds/Other) will increase \$300,000 in 2014-15 assuming the actuarial present value cost of SB 294 is transferred from the Experience Account to the Regular Benefit Account on July 1, 2014.

Revenues:

- STPOL revenues (Agy Self Generated) will increase \$300,000 when the actuarial present value cost of SB 294 is transferred from the Experience Account to the Regular Benefit Account.

Actuarial Data, Methods and Assumptions

This actuarial note was prepared using actuarial data, methods, and assumptions as disclosed in the most recent actuarial valuation report approved by PRSAC. These assumptions and methods are in compliance with actuarial standards of practice. This data, methods and assumptions are being used to provide consistency with the actuary for the retirement system who may also be providing testimony to the Senate and House retirement committees.

In preparing this estimate, we have relied upon information provided by Hall Actuarial Associates..

Actuarial Caveat

There is nothing in SB 294 that will compromise the signing actuary's ability to present an unbiased statement of actuarial opinion.

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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: Annual Fiscal Cost \geq \$100,000

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

House

6.8(F)(1): Annual Fiscal Cost \geq \$100,000

6.8(F)(2): Annual Revenue Reduction \geq \$500,000

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