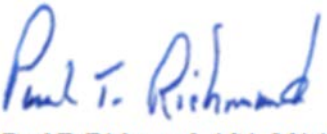


**2015 REGULAR SESSION
ACTUARIAL NOTE HB 27**

<p>House Bill 27 HLS 15RS-207 Original</p> <p>Author: Representative Gregory A. Miller Date: April 21, 2015</p> <p>LLA Note HB 27.01</p> <p>Organizations Affected: Clerks of Court Retirement System and Relief Fund</p> <p>OR 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 27 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/CLERKS COURT: Provides relative to receipt of deferred retirement benefits from the Clerks of Court Retirement and Relief Fund for members first hired on or after January 1, 2011.

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	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.

<u>Actuarial Cost to:</u>	<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 the retirement systems and other government entities.. 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	2015-16	2016-17	2017-18	2018-19	2019-2020	5 Year Total
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	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Annual Total	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-2020	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, a member of the Clerks of Court Retirement and Relief Fund (CCRS) who was first employed on or after January 1, 2011 and who at the time of termination has 12 or more years of service:

1. May retire at *age 60* if he continues in employment until *age 60*.
2. May retire at *age 55* if he terminates employment before *age 55*.

Therefore, such a member who terminates employment before *age 55* has superior retirement rights than such a member who continues in employment to *age 55*. Retirement rights of such a member who terminates employment on or after *age 55* but before *age 60* are not clear.

Proposed Law

HB 27 provides that a member first employed on or after January 1, 2011 and who at the time of termination has 12 or more years of service may retire at *age 60* if he terminates employment before *age 60*. HB 27 corrects a perceived deficiency in current law.

Implications of the Proposed Changes

HB 27 corrects a perceived deficiency in current law regarding eligibility for benefits for members first employed on or after January 1, 2011.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

HB 27 will produce actuarial savings because a member first employed on or after January 1, 2011 who has 12 or more years of service and who terminates employment before *age 60* will not be able to collect his pension benefit until he attains *age 60*.

Other Post-Employment Benefits

There are no actuarial costs associated with HB 27 for post-employment benefits other than pensions.

Analysis of Fiscal Costs

HB 27 will have the following effects on fiscal costs during the five year fiscal measurement period.

Expenditures:

1. Expenditures from CCRS (Agy Self Generated) will decrease because benefits payable by the retirement system will be delayed by HB 27. However, no decreases in cost will occur during the five year fiscal measurement period because no member will have accumulated the 12 or more years of service necessary to be affected by HB 27.
2. Expenditures from Local Funds will decrease to the extent that employer contribution requirement will decrease because of the saving attributable to HB 27.

Revenues:

- CCRS revenues (Agy Self Generated) will decrease to the extent that employer contribution requirements will decrease as a result of actuarial savings attributable to HB 27.

CCRS reports that publications and education/training materials may need to be updated to reflect the changes made by HB 27. However, these changes will be accommodated by amounts otherwise budgeted for these updates.

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 adopted by PRSAC.

Actuarial Caveat

There is nothing in HB 27 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 actuary 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 \$100,000
- 6.8(G): Annual Tax or Fee Change \geq \$500,000