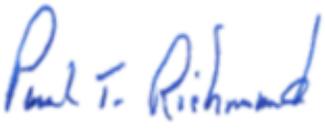


**2015 REGULAR SESSION  
ACTUARIAL NOTE SB 2**

<p><b>Senate Bill 2 SLS 15RS-91 Engrossed</b></p> <p><b>Author: Senators Daniel Claitor and Barrow Peacock</b></p> <p><b>Date: April 22, 2015</b></p> <p><b>LLA Note SB 2.02</b></p> <p><b>Organizations Affected: Louisiana State Police Retirement System</b></p> <p><b>EG NO IMPACT APV</b></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 2 provides compliance with the requirements of R.S. 24:521</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:** STATE POLICE RET FUND. Repeals provisions for payment to certain DROP participants of a retirement benefit calculated as if the persons had not participated in DROP. (gov sig)

**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	\$0
Total Five Year Fiscal Cost	
Expenditures	\$0
Revenues	\$0

**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.

<b>Actuarial Cost to:</b>	<b><u>Change in the Actuarial Present Value</u></b>
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 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.

<b>EXPENDITURES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-2020</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

<b>REVENUES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-2020</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

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**Bill Information:**

**Current Law**

The Louisiana State Police Retirement System (STPOL) contained a DROP provision prior to the enactment of Act 480 of the 2009 regular session of the legislature. As a result of Act 480, the DROP provision was replaced by a Back-DROP provision. Two state police officers had entered DROP prior to the effective date of Act 480 and had continued to be employed of the time of the 2014 session. Section 2 of Act 859 of the 2014 regular session provided a special monthly longevity benefit for these two officers. The monthly longevity benefit was to be equal to the benefit such a member would have received had he not entered DROP minus the benefit he is currently entitled to (under DROP) minus the actuarial equivalent of his DROP account. The actuarial cost associated with this benefit was to be paid from the STPOL Experience Account.

The constitutionality of Act 859 was challenged and the court issued an injunction stopping the implementation of the longevity benefit provision. Neither officer affected by Act 859 has tried to claim the longevity benefit.

**Proposed Law**

SB 2 repeals Section 2 of Act 859 of the 2014 Regular Session of the Legislature.

**Implications of the Proposed Changes**

SB 2 repeals the special monthly longevity benefit and codifies the injunction imposed by the court.

**Cost Analysis:**

**Analysis of Actuarial Costs**

**Retirement Systems**

The actuarial cost associated with Act 859 of the 2014 session as shown in an actuarial note for the legislation was estimated to be about \$300,000. That cost was eliminated when the court issued its injunction prohibiting implementation of the Act. Therefore, SB 2 does not produce any savings because the savings occurred when the court issued its injunction.

**Other Post-Employment Benefits**

There are no actuarial costs associated with SB 2 relative to post-employment benefits other than pensions.

**Analysis of Fiscal Costs**

SB 2 has no effect on fiscal costs.

**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 SB 2 that will compromise the signing actuary's ability to present an unbiased statement of actuarial opinion.

**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