


2016 REGULAR SESSION
ACTUARIAL NOTE HB 34

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| House Bill 34 HLS 16RS-309 Engrossed Author: Representative Gene Reynolds Date: April 1, 2016 LLA Note HB 34.02 Organizations Affected: Municipal Employees’ Retirement System EG INCREASE APV | This Note has been prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of this Note to HB 34 provides compliance with the requirements of R.S. 24:521  Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services |
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Bill Header: RETIREMENT/MUNICIPAL EMP: Provides that all mayors are members of the Municipal Employees’ Retirement System.

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.

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|--------------------------------------|----------|
| Actuarial Cost to Retirement Systems | Increase |
| 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.

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| Actuarial Cost to: | <u>Change in the Actuarial Present Value</u> |
| All Louisiana Public Retirement Systems | Increase |
| Other Post Retirement Benefits | Increase |
| Total | Increase |

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.

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|---------------------|----------------|----------------|----------------|------------------|------------------|---------------------|
| EXPENDITURES | 2016-17 | 2017-18 | 2018-19 | 2019-2020 | 2020-2021 | 5 Year Total |
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Agy Self Generated | Increase | Increase | Increase | Increase | Increase | Increase |
| Stat Deds/Other | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Funds | 0 | Increase | Increase | Increase | Increase | Increase |
| Annual Total | Increase | Increase | Increase | Increase | Increase | Increase |

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|--------------------|----------------|----------------|----------------|------------------|------------------|---------------------|
| REVENUES | 2016-17 | 2017-18 | 2018-19 | 2019-2020 | 2020-2021 | 5 Year Total |
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Agy Self Generated | 0 | Increase | Increase | Increase | Increase | Increase |
| 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 | Increase | Increase | Increase | Increase | Increase |

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Bill Information:

Current Law

Under current law, the definition of “employee” for the Municipal Employees’ Retirement System (MERS) includes mayors (who are elected officials) as long as they are employed on a permanent regularly scheduled basis of at least 35 hours per week.

Proposed Law

Under HB 34, the definition of “employee” includes mayors of municipalities regardless of their work schedule.

Implications of the Proposed Changes

Mayors of municipalities will be able to participate in MERS even though they may not have a permanent regularly scheduled work schedule.

Cost Analysis:

Analysis of Actuarial Costs

HB 34 contains benefit provisions having an actuarial cost. Some mayors who now are prohibited from participating in MERS will be able to become members.

Retirement Systems

The present value of future benefits will increase because more individuals will be allowed to participate in MERS.

Other Post-Employment Benefits

HB 34 will increase actuarial costs associated with post-employment benefits other than pensions to the extent that payments of such benefits are linked to the receipt of retirement benefits from MERS.

Analysis of Fiscal Costs

HB 34 will have the following effects on fiscal costs during the five year measurement period.

Expenditures:

1. Expenditures from the Local Funds will increase only to the extent that a participating employer will include additional employees (mayors) that were not eligible to participate in the system under the current law.
2. Expenditures from MERS (Agy Self-Generated) will increase only if one of the new employees, who joined MERS as a result of HB 34, terminates employment during the five year fiscal measurement period and is entitled to a refund of employee contributions.

Revenues:

- MERS revenues (Agy Self-Generated) will increase because it will receive employee and employer contributions due to additional mayors participating in the system as a result of HB 34.

According to MERS, the increase to expenditures from local funds, if HB 34 is enacted, would be minimal.

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. 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.

Actuarial Caveat

There is nothing in HB 34 that will compromise the signing actuary’s ability to present an unbiased statement of actuarial opinion.

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.

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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