


**2013 REGULAR SESSION
ACTUARIAL NOTE HB 52**

<p>House Bill 52 HLS 13RS-182 Original</p> <p>Author: Representative J. Kevin Pearson Date: May 2, 2013</p> <p>LLA Note HB 52.01</p> <p>Organizations Affected: Firefighters' Pension and Relief Fund in the city of New Orleans</p> <p>OR INCREASE FC LF EX</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 52 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/LOCAL: Provides relative to the Firefighters' Pension and Relief Fund in the city of New Orleans

Cost Summary:

The estimated actuarial and fiscal impact of the proposed legislation 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	\$0
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/(Savings) to:</u>	<u>Change in the Actuarial Present Value</u>
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 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	Increase	0	0	0	0	Increase
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	Increase	0	0	0	0	Increase
Annual Total	Increase	\$ 0	\$ 0	\$ 0	\$ 0	Increase

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	Increase	0	0	0	0	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	Increase	\$ 0	\$ 0	\$ 0	\$ 0	Increase

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Bill Information:

Current Law

Current law creates the Firefighters' Pension and Relief Fund for the city of New Orleans (NOFF) and sets forth benefit, financing, and administrative rules pertaining thereto.

Proposed Law

HB 52 provides that the governing authority of Orleans Parish may establish a firefighters' retirement system in the city of New Orleans by ordinance. Once the governing authority of Orleans Parish establishes such a retirement system, all assets, property and obligations of NOFF shall be assigned, transferred, and delivered to the new system and NOFF will cease to exist. The governing authority of Orleans Parish is given the authority to promulgate rules and regulations by ordinance relative to the new retirement system.

Implications of the Proposed Changes

HB 52 provides for the establishment of a new firefighters' retirement system for the city of new Orleans that will be governed by Orleans Parish. NOFF will be disbanded.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

Orleans Parish will establish by ordinance all benefit rules applicable to future periods of employment. No estimate of cost or savings can be given until such time as the new rules are codified through Parish ordinances.

Orleans Parish will incur an increase in administrative expenses in order to establish and implement the new retirement system.

Other Post Retirement Benefits

There is no actuarial cost associated with HB 52 for post-employment benefits other than pensions.

Analysis of Fiscal Costs

HB 52 states that the Parish shall establish a new retirement system but it doesn't provide a date before which the new system must be established. We have assumed for our analysis that the new system will be established in FYE 2014. HB 52 will have the following effects on fiscal costs during the five year measurement period.

Expenditures:

1. Expenditures from NOFF (Agy Self-Generated) will increase when all assets of the system are transferred to the new retirement system.
2. Expenditures from Local Funds will increase to pay for implementation of the new retirement system. We assume the cost of establishing a new retirement system will exceed \$100,000.

Revenues:

- Revenues of the new retirement system (Agy Self-Generated) will increase when all assets of NOFF are transferred to the new system.

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