


**2015 REGULAR SESSION
ACTUARIAL NOTE HB 33**

<p>House Bill 33 HLS 15RS-28 Original</p> <p>Author: Representatives Berthelot and others Date: April 28, 2015</p> <p>LLA Note HB 33.01</p> <p>Organizations Affected: State and Statewide Retirement Systems</p> <p>OR +\$159,700 FC GF RV</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 33 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: ENVIRONMENT/LITTERING: Provides with respect to fines for the offense of littering.

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	\$ 809,375
Revenues	\$ 1,618,750

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.

Actuarial Cost to:	<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 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	2019-20	5 Year Total
State General Fund	\$ 159,700	\$ 159,700	\$ 159,700	\$ 159,700	\$ 159,700	\$ 798,500
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	2,175	2,175	2,175	2,175	2,175	10,875
Annual Total	\$ 161,875	\$ 161,875	\$ 161,875	\$ 161,875	\$ 161,875	\$ 809,375

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 Year Total
State General Fund	\$ 159,700	\$ 159,700	\$ 159,700	\$ 159,700	\$ 159,700	\$ 798,500
Agy Self Generated	161,875	161,875	161,875	161,875	161,875	809,375
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	2,175	2,175	2,175	2,175	2,175	10,875
Annual Total	\$ 323,750	\$ 323,750	\$ 323,750	\$ 323,750	\$ 323,750	\$ 1,618,750

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Bill Information:

Current Law

Current law imposes fines and other penalties on persons who dispose of or permit the disposal of litter upon any public place in the Louisiana or upon private property in the state not owned by him. Fines and penalties depend on the type of littering (simple littering, intentional littering, gross littering, and commercial littering). Fines and penalties also depend on whether the littering is the first offense, second offence, or the third or higher offence. Current law also specifies the entities that will share in and benefit from the fines levied. No retirement system currently receives a distribution from littering fines.

Proposed Law

HB 33 increases the fines imposed for litter violations. HB 33 also changes the entites that will share in and benefit from the fines collected. If HB 33 is enacted, the following retirement systems will receive a share of the revenues from fines.

1. The Louisiana State Employees Retirement System (LASERS).
2. The Louisiana State Police Retirement System (STPOL).
3. The Municipal Police Employees' Retirement System (MPERS).

These systems will receive 50% of revenues from fines resulting from arresting officers participating in each system.

The revenues received by each system will be used to reduce the oldest charge base associated with the unfunded accrued liability of that system. The payment schedule to pay off the charge base will not be reduced. In other word, the fines will be used to pay off the UAL of each system and will shorten the period over which the UAL will be paid.

Littering fines under current law are compared in Table 1 to such fines under HB 33

**Table 1
Fines for Litter Violations**

	Conviction	Current Law	HB 33
Intentional Littering	1st	\$ 250	\$ 500
Intentional Littering	2nd	500	1,000
Intentional Littering	3rd	1,250	2,500
Simple Littering	1st	75	150
Simple Littering	2nd	500	1,000
Gross Littering	1st	500 – 1,000	1,000 – 2,000
Gross Littering	2nd	1,000 – 2,500	2,000 – 5,000
Gross Littering	3rd	1,500 – 5,000	3,000 – 10,000
Commercial Littering		100	200

Implications of the Proposed Changes

If HB 33 is enacted, a percentage of the monies collected from fines on litter violations will be used to pay for the amortization of the unfunded liability bases of the retirement systems associated with the enforcement agency that issued the citation.

Cost Analysis:

Analysis of Actuarial Costs

HB 33 contains no benefit provisions having an actuarial cost.

Retirement Systems

HB 33 will generate additional revenues for LASERS, STPOL and MPERS. However, many different entities are involved in issuing citations and collecting fines. There is a lack of data on the number of citations issued and fines collected for littering. But based on the data that is available and assuming that violations will remain the same in the future as in the recent past, we estimate that the three retirement systems will receive an assitional \$161,875 each year as a result of HB 33.

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**Table 2
Retirement System Share of Revenues from Fines Under HB 33**

Retirement System	Type of Littering	Number of Violations	Fine	Fines Collected	Retirement System Share
LASERS	Simple	341	150	51,150	25,575
LASERS	Gross	224	1000	224,000	112,000
Subtotal		565		275,150	137,575
STPOL	Simple	295	150	44,250	22,125
MPERS	Simple	29	150	4,350	2,175
Total		889		323,750	161,875

HB 33 essentially double littering fines and then give ½ of the increased fine to the retirement systems. Therefore, revenues usable for purposes other than the retirement systems do not change.

Other Post-Employment Benefits

There are no actuarial costs or savings associated with HB 33 for post-employment benefits other than pensions.

Analysis of Fiscal Costs

HB 33 will have the following effects on cash flows during the five year fiscal cost measurement period.

Expenditures:

1. Expenditures from the General Fund to LASERS and STPOL will increase. Currently, these systems do not receive a share of littering fines. Under HB 33, they will.
2. Expenditures by Local Funds to MPERS will increase. Currently, the retirement systems do not receive a share of littering fines. Under HB 33, they will.
3. HB 33 will have no effect on employer contribution requirements to LASERS, STPOL and MPERS because, although the UAL for each system is reduced, amortization payments remain the same at least through the 5 year fiscal measurement period.

Revenues:

1. General Fund revenues will increase about \$157,900 a year. These additional revenues are allocated LASERS and STPOL.
2. LASERS revenues (Agy Self-Generated) will increase by \$137,575 a year.
3. STPOL revenues (Agy Self-Generated) will increase by \$22,125 a year.
4. MPERS revenues (Agy Self-Generated) will increase by \$2,175 a year.
5. Local Fund revenues will increase \$2,175 a year. These additional revenue are then allocated to MERS.

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 33 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.

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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