~ A C T U A R I A L C O S T N O T E ~ ~ REGULAR SESSION 2006 ~

House Bill 178; HLS 06RS-383

Engrossed **No Amendments**

Author: Representative Schneider

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LA # 7.02

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Legislative Actuary

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM & MOST STATEWIDE PUBLIC RETIREMENT SYSTEMS

EG NO COST See Actuarial Note

Bill Provisions

RETIREMENT/DROP: Provides for interruptions in DROP entry and DROP participation periods occasioned by Hurricanes Katrina and Rita

Estimated Fiscal Impact

EXPENDITURES	2006-07	2007-08	2008-09	2009-010	2010-11	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	$0	$0	$0	$0	$0	$0
ANNUAL TOTAL	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2006-07	2007-08	2008-09	2009-010	2010-11	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	$0	$0	$0	$0	$0	$0
ANNUAL TOTAL	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

* The proposed legislation affects the Louisiana State Employees' Retirement System (LASERS) and the following Statewide retirement systems: Assessors' Retirement Fund, Clerks of Court Retirement and Relief Fund, District Attorneys' Retirement System, Firefighters' Retirement System, Municipal Employees' Retirement System of Louisiana, Municipal Police Employees' Retirement System, Parochial Employees' Retirement System of Louisiana, and Registrars of Voters Employees' Retirement System. LASERS is funded from all of the above sources. Statewide plans are funded from local appropriations; certain allocated funds from Ad Valorem, Revenue Sharing, and IPTF; and special appropriations.

The proposed legislation extends the Hurricane Katrina and Rita DROP re-entry provisions of R.S. 11:323 to LASERS and the above listed Statewide retirement systems. Currently, the law applies this section only for Teachers' Retirement System of Louisiana and Louisiana School Employees' Retirement System.

R.S. 11:323 allows and requires an affected DROP participant to re-enter DROP and finish the initial selected participation period. This would result in the same total payments that would have been received had there been no interruption. The participant forfeits any interest that would have been credited to the DROP balance as a result of termination. Provisions of R.S. 11:323 apply only to members who were in the Deferred Retirement Option Plan (DROP) on or before September 24, 2005, whose active DROP participation was interrupted as a result of being terminated due to a reduction-in-force caused by Hurricane Katrina or Rita, has not retired, is subsequently re-employed within the same retirement system, within one year of the earlier of being terminated or furloughed, and before December 31, 2006.

Actuarial Cost Impact

Providing the remaining additional DROP payments to this special member group, who were already DROP participants at the time of the hurricanes, does not appear to have a significant net impact to current projected liabilities or costs. A reliable dollar estimate of the cost/savings impact resulting from the proposed legislation cannot be accurately determined until complete data becomes available that includes the period subsequent to Hurricanes Katrina and Rita .

Actuarial Analysis

Generally, current law allows a DROP participation period of three years. Under the proposed provisions DROP participants who are terminated as a result of Hurricane Katrina or Rita can complete the full period of participation initially selected, if they are subsequently re-employed within a year and before December 31, 2006 .

Upon termination the conditions to be in DROP had already been accepted, the monthly benefit amount frozen for service accrued, and the retirement payment method had been irrevocably elected. There does not appear to be possible anti-selection against the actuarial assumptions available to the member's discretion other than not accepting re-employment. With the proposed change, this person is substituting additional benefit accrual and DROP interest for the remaining DROP benefits over the same period.

Dual Referral Rules - Estimated State Fiscal Impact >= $500,000: NO