

~ ACTUARIAL COST NOTE ~ ~ REGULAR SESSION 2003 ~

House Bill 86; HLS 03-25

Reengrossed No Amendments

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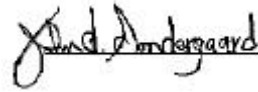
Tuesday, June 17, 2003

LA: No. 3.01

LOUISIANA STATE EMPLOYEES RETIREMENT SYSTEM: JUDGES

RE ACTUARIAL NOTE

Bill Provisions



John E. Sondergaard, EA, MAAA, FCA
Legislative Actuary

RETIREMENT/JUDGES: (Constitutional Amendment) Prohibits a judge from remaining in office beyond his 75 birthday.

Estimated Fiscal Impact

EXPENDITURES	2003-04	2004-05	2005-06	2006-07	2007-08	5 YEAR TOTAL
State General Fund	*	*	*	*	*	*
Agy Self Generated	*	*	*	*	*	*
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	*	*	*	*	*	*

REVENUES	2003-04	2004-05	2005-06	2006-07	2007-08	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

* see actuarial note.

The reengrossed bill increases the mandatory retirement age for judges from their seventieth (70) to seventy-fifth (75) birthday. Provisions of this bill would be submitted to electors at the gubernatorial primary election to be held in 2003 for an effective date of January 1, 2004.

Actuarial Cost Impact

The actuarial cost or savings of allowing a judge to remain in active service beyond age 70 is highly dependent on the judges service and future salary expectations, as well as the pension demographics of a new judge who would replace that position without passage of this bill's provisions. We are unable to determine a value for the net impact of this bill in the limited time frame in which to study the cost effect of this bill.

Actuarial Analysis

Our analysis indicates that generally there would be a net savings in pension cost for active judges who continue to work beyond age seventy without receiving retirement benefits, either by termination or DROP accrual, and who have more than 4 years of credited service. Conversely, there is a potential net pension cost for a judge with less than four years of credited service who may work past age seventy. However, our study shows that it is likely that the net effect of a new judge replacing a retiring member who might otherwise be able to continue working, and defer benefit payouts, is an overall increase in pension costs. This would not be a savings if the member is able to enter DROP as a result of this bill. We are unable to determine a value for the net impact of this bill in the limited time frame in which to study the cost effect of this bill since, under current law, our existing experience with members in this age group is limited to retirees. There are almost no judges entering the plan after age sixty under current law.