ACTUARIAL NOTE
REGULAR SESSION 2009

House Bill 513 HLS 09RS-823
Enrolled

Author: Representative Richard
June 29, 2009

LA # 15.06

Louisiana State Employees' Retirement System
EN 5yr Ttl: See Actuarial Note

Preparation of this Note was directed by the Actuarial Services Division of this office

Steve J. Theriot, CPA

Legislative Auditor

Bill Header: Provides for early retirement for members of the La. State Employees' Retirement System (LASERS) with actuarial reduction of benefits; requires abolition of positions vacated under early retirement

Estimated Fiscal Impact:

EXPENDITURES:	2009-10	2010-11	2011-12	2012-13	2013-14	5 Yr Total
State General fund	See below	See below	See below	See below	See below	See below
Agy Self Generated	See below	See below	See below	See below	See below	See below
Stat Deds/Other	See below	See below	See below	See below	See below	See below
Federal Funds	See below	See below	See below	See below	See below	See below
Local Funds	0	0	0	0	0	0
Annual Total	See below	See below	See below	See below	See below	See below

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 Yr Total
State General fund	See below	See below	See below	See below	See below	See below
Agy Self Generated	See below	See below	See below	See below	See below	See below
Stat Deds/Other	See below	See below	See below	See below	See below	See below
Federal Funds	See below	See below	See below	See below	See below	See below
Local Funds	0	0	0	0	0	0
Annual Total	See below	See below	See below	See below	See below	See below

Purpose:

To enact R.S. 11:441.2 relative to the Early Retirement and Payroll Reduction Act; to provide for early retirement of certain members of the Louisiana State Employees' Retirement System (LASERS); to permanently reduce the number of state employees, to reduce payroll costs, to enhance the fiscal soundness of the state, and do so in a manner that is fair and equitable to employees.

Bill Provisions:

Relative to the Louisiana State Employees' Retirement System (LASERS): reduces the age and service criteria necessary to be eligible for early retirement benefits; provides for an actuarial reduction of benefits for members who retire early; and, requires abolition of the positions vacated by early retirement.

Existing Provisions:

Under current provisions, an employee of the State of Louisiana participating in LASERS is not eligible for early retirement until he or she has accrued 20 years of service. The benefit payable to a member who retires early is actuarially reduced to reflect the early commencement of the benefit.

Proposed Provisions:

Under proposed law, an employee of the State participating in LASERS will be eligible for early retirement when he or she has attained age 50 and has accrued at least 10 years of service. The benefit payable to a member who retires early is actuarially reduced to reflect the early benefit commencement. The option for early retirement provided by proposed law would be available to those selecting early retirement between July 1, 2009 and June 30, 2013.

Positions vacated by those who chose early retirement would be abolished, subject to certain exceptions. The proposed law places various restrictions on the right of the state to fill positions vacated by persons electing early retirement under these temporary early retirement rules.

Other Pertinent Information:

Normal Retirement – Normal retirement occurs when an employee is eligible to retire and collect a full unreduced pension benefit from the System. Eligibility requirements for normal retirement are summarized below

- Age 60 with at least 10 but less than 25 years of service.
- Age 55 with at least 25 but less than 30 years of service.

- Any age with 30 or more years of service.

Early Retirement – Early retirement occurs when an employee is eligible to retire, but receives a reduced benefit to reflect the earlier commencement of benefits.

Actuarial Cost Impact:

The actuarial impact is negligible.

Actuarial Analysis:

The actuarial value of the reduced pension benefit payable to an employee who elects to retire early is the same as the actuarial present value of the unreduced pension that would be payable if the employee had elected to defer retirement until normal retirement age. Therefore, the decision to retire early or defer retirement is actuarially neutral to the System and to the employee.

Future normal costs are eliminated for all employees who are furloughed regardless of whether or not they retire early or defer retirement. This will reduce future contributions to the System. The loss of contributions will be offset by the elimination of future benefit accruals; additional accrued liabilities will not be created. Reductions in future normal costs should be similar in the aggregate to reductions in additional accrued liabilities.

The accrued liability immediately after retirement for a member who retires as a result of the proposed law in some circumstances will be greater than the liability immediately before retirement; and in some circumstance will be less. In the aggregate, there should be no material change in the accrued liability as a result of this Bill.

This analysis is based on the assumption that the early retirement reduction factors used by the System are unsubsidized.

Fiscal Impact:

While this bill will not have an actuarial impact, it will have a financial impact. It could impact the State General Fund, Agency Self Generated Funds, Stat/Deds, and Federal Funds.

Financial Impact for State Agencies

- Decrease expenditures due to decreased employer contributions for those retiring early.
- Decrease in expenditures due to decreased salaries for those retiring early.

Financial Impact for LASERS

- Decrease in revenue due to decreased contributions from those retiring early.
- Increase in expenditures to pay retirement benefits earlier than expected from early retirees. The amount and timing of this increase would depend on how close each early retiree is to normal retirement.

The estimated financial impact of all items mentioned above would depend on the number and characteristics of members eligible that take advantage of the early retirement benefit.

Dual Referral Rules:

Estimated Fiscal Impact>= $500,000? **NO**