

**2010 REGULAR SESSION
ACTUARIAL NOTE SB 307**

<p>Senate Bill 307 SLS 10RS-867 Reengrossed with Senate Floor Amendments #1468</p> <p>Author: Senator Nicholas "Nick" Gautreaux Date: April 19, 2010</p> <p>LLA Note SB 307.03</p> <p>Organizations Affected: Louisiana School Employees' Retirement System</p> <p>RE DECREASE APV</p>	<p>The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor.</p> <div style="text-align: right; margin-top: 20px;">  David K. Greer, CPA Assistant Legislative Auditor and Director of Performance Audit and Actuarial Services </div>
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Bill Header: SCHOOL EMPLOYEES RETIREMENT. Excludes pay to school bus drivers for certain school-related extracurricular activities performed under private contracts from the definition of earnable compensation. (7/1/10)

Cost Summary:

Actuarial Cost/(Savings) to Retirement Systems and OGB	DECREASE, See Actuarial Analysis Below
Total Five Year Fiscal Cost	
Expenditures	DECREASE, See Actuarial Analysis Below
Revenues	DECREASE, See Actuarial Analysis Below

Estimated Actuarial Impact:

The chart below shows the estimated increase/(decrease) in the actuarial value of benefits, if any, attributable to the proposed legislation. Note: it includes the present value cost of fiscal costs associated with benefit changes. It does **not** include present value costs associated with other fiscal concerns.

<u>Actuarial Cost (Savings) to:</u>	<u>Increase (Decrease) in The Actuarial Present Value</u>
All Louisiana public retirement systems	DECREASE, See Actuarial Analysis Below
Other Post Retirement Benefits	\$0
Total	DECREASE, See Actuarial Analysis Below

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. Note: it includes the cash flow effect of the benefit changes on the retirement systems, the Office of Group Benefits, as well as other fiscal concerns.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
Annual Total	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE

REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
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	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE

Bill Information:

Current Law

Current law provides that Earnable Compensation includes pay received by bus drivers for school-related extracurricular activities.

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Proposed Law

Under SB 307, Earnable Compensation will still include pay received by bus drivers for school-related extracurricular activities. However, compensation earned by a driver with ownership interest in his or her school bus under a contract or corporate contract for extracurricular activities shall be excluded from Earnable Compensation.

Implications of the Proposed Changes

Earnable Compensation credited by LSERS will be reduced for bus drivers who drive for school related extracurricular activities while employed by contract or corporate contract.

Cost Analysis

Analysis of Actuarial Costs

Retirement Systems

SB 307 will have the following general effect on actuarial costs:

1. Benefit accruals for bus drivers will be reduced.
2. Actuarial costs will be reduced.
3. Employer contribution rates will be reduced.
4. LSERS revenues will be reduced.
5. Benefit payments from LSERS will be reduced.

The magnitude of the net cost reduction depends on the extent to which bus drivers driving for school-related extracurricular activities are employed under contracts, corporate or otherwise. If compensation paid to drivers in the aggregate from these activities is small relative to total amounts paid to drivers, then the effect will be small or negligible.

Other Post Retirement Benefits

SB 307 has no effect on actuarial costs associated with other post retirement benefits.

Analysis of Fiscal Costs

SB 307 will have the following effect on fiscal costs during the five year measurement period.

1. Employer contributions (local fund expenditures) will be reduced because contributions will not be paid on contract income.
2. LSERS revenue (agency self generated) will be reduced because employee and employer contributions will not be paid on contract income.
3. LSERS benefit distributions (agency self generated expenditures) will be reduced because contract income will not be included in retirement benefit calculations.

The effect on fiscal costs will be large or small depending on the ratio of Earnable Compensation without contract income to Earnable Compensation with contract income.

Dual Referral

Senate

13.5.1 \geq \$500,000 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 Tax or Fee Increase or a Net Fee Decrease