

~ ACTUARIAL COST NOTE ~ ~ FIRST EXTRAORDINARY SESSION 2005 ~

Senate Bill 111; SRS 051ES-125

Engrossed No Amendments

Author: Senator B. Gautreaux


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LA # 7.03

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

EG INCREASE See Note

Bill Provisions



Thomas N. Rice, EA, MAAA, ASA

Legislative Actuary

STATE EMPLOYEES. Provides for early retirement as an alternative to involuntary workforce reduction and individual agency cuts.

Estimated Fiscal Impact

EXPENDITURES	2005-06	2006-07	2007-08	2008-09	2009-010	5 YEAR TOTAL
State General Fund	Increase	Increase	Increase	Increase	Increase	Increase
Agy Self Generated	Increase	Increase	Increase	Increase	Increase	Increase
Stat Deds/Other	Increase	Increase	Increase	Increase	Increase	Increase
Federal Funds	Increase	Increase	Increase	Increase	Increase	Increase
Local Funds	Increase	Increase	Increase	Increase	Increase	Increase
ANNUAL TOTAL	Increase	Increase	Increase	Increase	Increase	Increase

REVENUES	2005-06	2006-07	2007-08	2008-09	2009-010	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 bill impacts regular members of the Louisiana State Employees' Retirement System (LASERS) which is funded from all of the above sources. Due to the impacts of Hurricanes Katrina and Rita it is not possible to provide specific information relating to expected usage and costs at this time. An illustration of costs is provided below.

It is our understanding that provisions of this bill would only apply to regular members who were actively employed with an employer under the LASERS system on August 29, 2005. The proposed legislation:

- (1) **Retirement Eligibility:** Allows members age fifty (50) or older with at least ten (10) years of service credit to elect an immediate retirement between December 1, 2005 and January 31, 2006 with a benefit equal to 2.25% of average compensation for each year of credited service. The member cannot be currently eligible to retire under the plan's normal retirement ages (age 60/10 years, age 55/25 years, or any age/30 years of credited service).
- (2) **Conversion of accumulated sick and annual leave:** Cash-out of the first three hundred (300) hours of accumulated leave, normally paid by the employer, will be paid from the retirement plan.
- (3) **Terminated positions to remain unfilled:** The member's vacated position is to go unfilled unless approved otherwise by the division of administration, and then limited to 25% of all positions vacated under this legislation.
- (4) **Rehired retirees not eligible for subsequent membership and benefits are suspended while so employed.**
- (5) **Ten percent (10%) of savings from this legislation is to go to an additional payment to reduce the Initial Unfunded Accrued Liability (IUAL).**

Actuarial Cost Impact

Due to the impacts of Hurricanes Katrina and Rita it is not possible to provide specific information relating to expected usage and costs at this time. If we assume that sixty percent of the eligible members (9,704 x 60% = 5,822) would retire under the provisions of this legislation, the additional liability expected from the provisions of this legislation is \$278 million. This includes \$244 million from the immediate retirement provision and \$34 million from the 300 hour accumulated sick and annual leave cash out provision. These amounts would be amortized as a change in actuarial liability due to legislation over a thirty (30) year period with level payments at an 8.25% actuarial return.

Offsetting these costs are the assumed additional contributions required to be submitted to the trust under the proposed legislation. These amounted to \$2.6 million in the first short year period, including savings from leave payments, ranging from \$3.7 million to \$2.8 million thereafter (provided from the fiscal office estimates).

The following annual costs would result if 60% of the eligible members elect to retire (5,822 members):

EXPENDITURES	2005-06	2006-07	2007-08	2008-09	2009-010	5 YEAR TOTAL
UAL	-	24,300,000	24,300,000	24,300,000	24,300,000	97,200,000
IUAL Add Contr	(2,600,000)	(3,700,000)	(3,600,000)	(3,300,000)	(2,800,000)	(16,000,000)
ANNUAL TOTAL	\$ (2,600,000)	\$ 20,600,000	\$ 20,700,000	\$ 21,000,000	\$ 21,500,000	\$ 81,200,000

Amortization for liabilities incurred during the mid-year election period between December 1, 2005 and January 31, 2006 begins in fiscal year 2007.