

~ ACTUARIAL COST NOTE ~ ~ REGULAR SESSION 2008 ~

House Bill 467; HLS 08RS-349

Original No Amendments

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LA # 30.01

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

OR SEE ACTUARIAL NOTE GF



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Legislative Actuary

Bill Provisions

RETIREMENT/STATE EMPS: Provides for early retirement of LASERS members with actuarial reduction of benefits; requires abolition of positions vacated by early retirement and permits reestablishment and filling of such positions under limited circumstances

Estimated Fiscal Impact

EXPENDITURES	2008-09	2009-010	2010-11	2011-12	2012-13	5 YEAR TOTAL
State General Fund	*	*	*	*	*	*
Agy Self Generated	*	*	*	*	*	*
Stat Deds/Other	*	*	*	*	*	*
Federal Funds	*	*	*	*	*	*
Local Funds	*	*	*	*	*	*
ANNUAL TOTAL	*	*	*	*	*	*

REVENUES	2008-09	2009-010	2010-11	2011-12	2012-13	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

* Any impact could involve all or any of the sources of expenditures or revenues above.

Purpose: Continues the Early Retirement and Payroll Reduction provisions for LASERS, initially established under Act 844 RS2001 and extended under Acts 194 RS2004 and 672 RS2006. **It allows for early retirement at age fifty with ten years of service, exclusive of military service credit, with actuarially reduced benefits.** Positions vacated by the early retirement must be abolished and sets conditions in which necessary vacated positions may be re-established. Members retiring under this legislation may not return to state employment for a period of two years. Provisions of the bill are extended for retirements between January 1, 2009 through December 31, 2010.

Current law for regular LASERS members hired before July 1, 2006: Allows early retirement after twenty years of service at any age with actuarial reduction. Normal retirement is at age 60 with 10 years of service, age 55 with 25 years of service, or at any age after 30 years of service.

Actuarial Cost Impact

The provisions of this bill are expected to be cost neutral as it relates to normal pension benefit costs. However, the actuarial reduction does not anticipate possible COLA increases. Additionally, as a retiring employee the person is able to retain membership in the state's group benefit program, for them and their family, requiring the employer to continue lifetime payments for the employer's portion of the medical cost. Offsetting this are the cessation of additional benefit accrual costs and savings from the eliminated positions.

We are unable to provide a dollar estimate for the proposed legislation in the time allowed for this note.

Actuarial Analysis

LASERS' members could elect early retirement with an actuarially reduced benefit equivalent after reaching age 50 with 10 years of service. The reduction allows benefits to be paid prior to normal retirement on a cost neutral basis. For example, an early benefit payable at age 50 is about 38% of a benefit commencing at age 60 after an actuarial reduction. At age 55 it is 61%.

* **System Information**

The total required employer contribution for the **Louisiana State Employees' Retirement System (LASERS)** is paid directly from general fund appropriations, self-generated funds, and from federally funded programs. The projected contribution rate for FY 2009 is 18.5% of member payroll.