

~ ACTUARIAL COST NOTE ~ ~ FIRST EXTRAORDINARY SESSION 2005 ~

House Bill 18; HLS 051ES-315
 Engrossed No Amendments
 Author: Representative Hutter
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 LA # 2.02
 STATE & STATE-WIDE RETIREMENT SYSTEMS
 EG INCREASE
 Bill Provisions



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RETIREMENT BENEFITS: Provides for public employees on involuntary furlough or leave without pay due to a disaster to continue to earn service credit in their retirement systems by making employee and employer contributions(Item #65)

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 legislation adds involuntary furlough and leave without pay when due to a gubernatorial declared disaster or emergency to the purchase of service and salary credit entitlement of R.S. 11:163. Currently this is allowed only for a temporary closure of the employer. This section applies to members of all state and statewide public retirement systems.

In addition, furloughed members that qualify under the new provisions on or after August 29, 2005 will be allowed to purchase service and salary credit for the period August 29, 2005 through June 30, 2006, and **pay only the contributions (employer and employee), not the actuarial accrued liability cost that is normally required for active members to purchase service under R. S. 11:158, if it is greater.**

Any delinquent contributions for such credit prior to the effective date of these new provisions will be deemed timely if received by the due date of December 2005 contributions.

Actuarial Cost Impact

Generally, members who are entitled to purchase service credits must pay the greater of (1) contributions that would have been paid by the employer and employee, plus interest or (2) the actuarial value of the increase in accrued liability to the system. It can be assumed that members who would voluntarily choose to continue payment of the total contribution, is doing so to achieve a greater value than their cost. **Waiving the actuarial cost under the second part of R.S. 11:158 can result in substantial underpayment of value for service credits, which must then be subsidized with additional contribution from the employers, or for state plans, from the general fund. Based on our analysis to this point, it appears that any possible cost impacts resulting from omission of the true actuarial cost to pay for this service could be in the order of an additional 0.05% of payroll annually to the systems' contribution.** Due to the impacts of Hurricanes Katrina and Rita and the short time provided during this special session, it is not possible to provide an accurate dollar estimate or specific information as to expected usage and costs at this time.