

~ ACTUARIAL COST NOTE ~ ~ FIRST EXTRAORDINARY SESSION 2005 ~

House Bill 17; HLS 051ES-63
 Reengrossed No Amendments
 Author: Representative Hutter
 Monday, November 14, 2005
 LA # 1.03
 PUBLIC RETIREMENT SYSTEMS
 RE NO IMPACT
 Bill Provisions



Thomas N. Rice, EA, MAAA, ASA
 Legislative Actuary

RETIREMENT/CONTRIBUTIONS: Waives interest due on certain delinquent retirement contributions for a specific time period. (Item #73)

Estimated Fiscal Impact

EXPENDITURES	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

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 waives the interest charges on contributions due for August and September, 2005 for the first two months of delinquency. This exempts required interest on delinquent employer and employee contributions under R.S. 11:281, applicable to all state and statewide systems suffering damage resulting from Hurricanes Katrina or Rita or both, except the State Police Pension and Retirement System.

Actuarial Cost Impact

The proposed legislation does not have a significant cost impact based on actual delinquency information provided from key sampled systems for contributions due August and September 2005. Systems did experience a delay in the submission of contributions but interest penalties were minimal for most employers. Certain entities have yet to pay required contributions and are subject to the full impact of interest charges. Overall, late contributions ran in a wide range of 2% to 40% of the expected monthly contribution (see exhibit below) for the two month period. However, interest charges over the two month waiver period falls in a much tighter range of 2% to 10% of the maximum possible interest (TRSL \$66,300, 3.6% of max/ LASERS \$129,800, 9.9% of max). Based on our best estimate at this time, the total delinquency interest cost waived under the proposed bill for all systems combined for the August and September 2005 period would be in the order of \$260,000. This is 6.2% of the maximum interest illustrated in the following exhibit if all contribution amounts, public and employee, were delinquent for the two month period.

Actuarial Analysis

The following information demonstrates the maximum possible impact on the contribution rate if all of August and September contributions were deficient for the full two month period. The percentage in the last column would have to be an addition to future employer contribution rates. All contribution sources are included in these estimates.

Retirement System:	Estimated Contribution for FY 2006			Two Months Contributions	Two Months Actuarial Interest	Amortized Cost As % of Payroll
	Public Sources	Employee	Combined	Maximum	Maximum	Maximum
State Employees'	\$407,603,990	\$164,093,957	\$571,697,947	\$95,282,991	\$1,310,141	0.005%
Teachers'	\$554,789,235	\$255,714,386	\$810,503,621	\$135,083,937	\$1,857,404	0.005%
State Police	n/a	n/a	n/a	n/a	n/a	n/a
School Employees'	\$49,472,656	\$20,186,868	\$69,659,524	\$11,609,921	\$145,124	0.004%
State Total	\$1,011,865,881	\$439,995,211	\$1,451,861,092	\$241,976,849	\$3,312,669	0.005%
Assessors'	\$10,247,569	\$2,244,349	\$12,491,918	\$2,081,986	\$27,760	0.012%
Clerks' of Court	\$16,630,141	\$6,008,859	\$22,639,000	\$3,773,167	\$50,309	0.008%
District Attorneys'	\$6,293,388	\$2,635,766	\$8,929,154	\$1,488,192	\$19,843	0.006%
Firefighters'	\$41,865,570	\$10,742,718	\$52,608,288	\$8,768,048	\$109,601	0.009%
Municipal Employees'	\$31,442,807	\$15,384,261	\$46,827,067	\$7,804,511	\$104,060	0.007%
Municipal Police	\$48,107,436	\$16,595,598	\$64,703,034	\$10,783,839	\$134,798	0.005%
Parochial Employees'	\$59,938,915	\$41,567,098	\$101,506,013	\$16,917,669	\$225,569	0.006%
Registrars of Voters	\$2,208,149	\$572,781	\$2,780,930	\$463,488	\$6,180	0.008%
Sheriffs'	\$65,782,064	\$40,721,649	\$106,503,712	\$17,750,619	\$236,675	0.007%
Statewide Total	282,516,039	136,473,079	418,989,118	69,831,520	914,794	0.007%
All Systems:	1,294,381,920	576,468,289	1,870,850,210	311,808,368	4,227,463	0.005%