LEGISLATIVE FISCAL OFFICE

Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB 111** SLS 051ES 125

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Sub. Bill For.:

Proposed Amd.:

Date: November 19, 2005 4:03 PM	**Author:** B. GAUTREAUX
Dept./Agy.: All Executive Branch Agencies	
Subject: LASERS Early Retirement	**Analyst:** Charley Rome

STATE EMPLOYEES   EG DECREASE EX See Note

STATE EMPLOYEES. Provides alternatives to involuntary workforce reduction in individual agency cuts.

Proposed law provides a reduced benefit of 2.25% of average compensation for each year of service credit for LASERS members not eligible for regular retirement, but who are at least age 50 with a minimum of 10 years of service credit and who retire between 12/1/05 and 1/31/06. Proposed law would provide that all unused leave of a person retiring under the provisions of proposed law shall be converted to retirement credit and no payment shall be made for any unused leave by any state agency except LASERS. Proposed law would provide that positions within the executive branch of state government which are caused to be vacated by proposed law shall not be filled, except upon approval of the division of administration. No department within the executive branch of state government may refill more than 25% of the positions caused to be vacated by the provisions of proposed law. Proposed law provides that the legislature shall appropriate annually out of the general fund or any budget surplus an amount equal to 10% of the reduction in the general fund expenditures attributable to workforce reductions under proposed law.

EXPENDITURES	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**5 -YEAR TOTAL**
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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**	**2009-10**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./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**

EXPENDITURE EXPLANATION

An accurate, quantitative impact that this legislation may have on state expenditures is not known and will depend on fiscal actions taken by the state and the resultant reactions of affected state employees. For illustrative purposes, and using assumptions discussed below, state operational expenditures could decrease by approximately $22.8 million in FY 2005-06 from the proposed legislation. These savings increase to approximately $33.6 million in FY 2006-07. Savings gradually decline to $25.1 million in FY 2009-10. Expenditure reductions due to these early retirements will likely be from all means of finance.

9,704 employees will be eligible to retire under the bill's provisions according to information provided by the Legislative Actuary. The average annual salary for these employees is $40,733 also according to the Legislative Actuary. Cost savings above are based on 10% of such employees (970 employees) opting to take this early retirement. Savings also include 19.1% of salaries for participating employees because the state will no longer pay the employer portion of LASERS contributions for these retiring employees. Savings in FY 2005-06 include $5.7 million for 300 hours of leave that will be paid by LASERS based on the bill. Savings above are reduced by anticipated higher Office of Group Benefits employer premiums compared to premiums for active employees ($1,280 per month for retired employees compared to $645 for the same active employees = $635 additional OGB costs per employee per month).

The bill allows state agencies to replace up to 25% of retiring employees with approval by the Division of Administration. This fiscal note assumes the following percentages of employees will be replaced in the following years: FY 2005-06 0%, FY 2006-07 5%, FY 2007-08 9%, FY 2008-09 15%, and FY 2009-10 25%. Savings in each year are reduced by the costs to replace employees who retired under the bill's provisions.

Passage of the bill will result in increased benefit costs to LASERS. The bill requires that 10% of savings attributable to the bill be paid to LASERS to offset increased benefit costs from the early retirement. Projected payments to LASERS are the following: FY 2005-06 $2.5 million, FY 2006-07 $3.7 million, FY 2007-08 $3.6 million, FY 2008-09 $3.3 million, and FY 2009-10 $2.8 million. These costs are netted into the figures shown in the table above.

This Fiscal Note does not address the actuarial impact of the proposed legislation. A separate Actuarial Note is being prepared by the Legislative Actuary to address any actuarial impact.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $500,000 Annual Fiscal Cost		☐ 6.8(F) >= $500,000 Annual Fiscal Cost
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease

H. Gordon Monk

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Legislative Fiscal Officer