

~ ACTUARIAL COST NOTE ~ ~ FIRST EXTRAORDINARY SESSION 2005 ~

House Bill 120; HLS 051ES-355
 Enrolled
 Author: Representative Schneider
 Tuesday, November 22, 2005
 LA # 4.03
 PUBLIC RETIREMENT SYSTEMS
 EN SEE ACTUARIAL NOTE EX
 Bill Provisions



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

RETIREMENT/DROP: Allows certain Hurricane Rita victims to take in-service distributions from their DROP accounts

Estimated Fiscal Impact

EXPENDITURES	2005-06	2006-07	2007-08	2008-09	2009-010	5 YEAR TOTAL
State General Fund	\$0	increase	increase	increase	increase	increase
Agy Self Generated	\$0	increase	increase	increase	increase	increase
Stat Deds/Other	\$0	increase	increase	increase	increase	increase
Federal Funds	\$0	increase	increase	increase	increase	increase
Local Funds	\$0	increase	increase	increase	increase	increase
ANNUAL TOTAL	\$0	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 would enable an employed member who sustained an economic loss from Hurricane Rita to withdraw up to \$100,000 from their Deferred Retirement Option Plan (DROP) account. An eligible member must have been domiciled in a declared disaster parish and any distributions must be made between September 19, 2005 and December 31, 2006. The declared disaster parish is designated under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. This legislation is applicable to all state and statewide retirement systems.

This note does not address tax and qualification issues or recent announcements from IRS (IR-2005-122 10/17/2005, IRS Announcement 2005-70, IR-2005-105 9/15/2005) relating to Hurricane Katrina relief for certain pension arrangements.

Actuarial Cost Impact

Costs related to DROP account disbursements result from earnings the trust would have gained during the DROP participation period. **The amount of earnings lost if all system members eligible under the proposed bill withdrew up to \$100,000 is estimated to be \$10,000,000. The following cost exhibit reflects the maximum impact expected if all eligible member's requested a full distribution.** To determine the potential cost impacts amounts were either amortized or spread over future working lifetimes, dependent on the funding method selected for each system. Due to the impacts of Hurricanes Katrina and Rita it is not possible to provide more specific information relating to expected usage and costs at this time.

Actuarial Analysis

Contribution impacts assume that all members eligible to withdraw funds from DROP balances will do so. The cost impact is specifically due to the potential earnings lost from DROP balances currently accumulating deposits.

Retirement System:	DROP Balance (\$100,000 limit) (Current DROP)	Actuarial Int Rate	Additional Contribution Requirements for DROP Interest Loss			
			FY 2007	FY 2008	FY 2009	FY 2010
			MAXIMUM EXPECTED COST IMPACT			
State Employees'	95,102,000	8.25%	111,944	211,449	236,325	236,325
Teachers'	196,059,000	8.25%	230,778	435,915	487,199	487,199
State Police	1,194,000	7.50%	889	1,744	2,033	2,125
School Employees'	18,859,000	7.50%	18,851	35,607	39,797	39,797
State Total	311,214,000		\$362,461	\$684,715	\$765,354	\$765,445
Assessors'	4,578,000	8.00%	7,085	13,383	14,958	14,958
Clerks' of Court	4,037,000	8.00%	6,021	11,373	12,711	12,711
District Attorneys'	368,000	8.00%	552	1,043	1,166	1,166
Firefighters'	6,819,000	7.50%	9,115	17,217	19,243	19,243
Municipal Empl A	4,785,000	8.00%	8,275	15,630	17,469	17,469
Municipal Empl B	1,014,000	8.00%	1,632	3,083	3,446	3,446
Municipal Police	12,855,000	7.50%	12,852	24,276	27,131	27,131
Parochial Empl A	10,051,000	8.00%	17,933	33,874	37,859	37,859
Parochial Empl B	485,000	8.00%	789	1,490	1,665	1,665
Registrars of Voters	979,000	8.00%	1,373	2,594	2,899	2,899
Sheriffs'	0	8.00%	0	0	0	0
Statewide Total	45,971,000		\$65,627	\$123,962	\$138,546	\$138,546
All Systems:	357,185,000		\$428,088	\$808,677	\$903,899	\$903,991