

~ ACTUARIAL COST NOTE ~ ~ FIRST EXTRAORDINARY SESSION 2005 ~

House Bill 63; HLS 051ES-7

Enrolled

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LA # 3.03

PUBLIC RETIREMENT SYSTEMS

EN SEE ACTUARIAL NOTE EX

Bill Provisions



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**RETIREMENT/DROP: Allows certain Hurricane Katrina 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
<b>ANNUAL TOTAL</b>	<b>\$0</b>	<b>increase</b>	<b>increase</b>	<b>increase</b>	<b>increase</b>	<b>increase</b>

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
<b>ANNUAL TOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

The proposed legislation would enable an employed member who sustained an economic loss from Hurricane Katrina 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 August 29, 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 \$15,500,000. 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 Balances (\$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%	173,144	327,050	365,526	365,526
Teachers'	196,059,000	8.25%	356,947	674,232	753,554	753,554
State Police	1,194,000	7.50%	1,374	2,697	3,145	3,286
School Employees'	18,859,000	7.50%	29,157	55,074	61,554	61,554
<b>State Total</b>	<b>311,214,000</b>		<b>\$560,622</b>	<b>\$1,059,054</b>	<b>\$1,183,778</b>	<b>\$1,183,920</b>
Assessors'	4,578,000	8.00%	10,959	20,700	23,135	23,135
Clerks' of Court	4,037,000	8.00%	9,313	17,590	19,660	19,660
District Attorneys'	368,000	8.00%	854	1,614	1,804	1,804
Firefighters'	6,819,000	7.50%	14,098	26,630	29,763	29,763
Municipal Empl A	4,785,000	8.00%	12,799	24,175	27,019	27,019
Municipal Empl B	1,014,000	8.00%	2,524	4,768	5,329	5,329
Municipal Police	12,855,000	7.50%	19,878	37,547	41,964	41,964
Parochial Empl A	10,051,000	8.00%	27,737	52,393	58,556	58,556
Parochial Empl B	485,000	8.00%	1,220	2,305	2,576	2,576
Registrars of Voters	979,000	8.00%	2,124	4,011	4,483	4,483
Sheriffs'	0	8.00%	0	0	0	0
<b>Statewide Total</b>	<b>45,971,000</b>		<b>\$101,506</b>	<b>\$191,733</b>	<b>\$214,290</b>	<b>\$214,290</b>
<b>All Systems:</b>	<b>357,185,000</b>		<b>\$662,000</b>	<b>\$1,251,000</b>	<b>\$1,398,000</b>	<b>\$1,398,000</b>