

~ ACTUARIAL COST NOTE ~ ~ REGULAR SESSION 2006 ~

Senate Bill 376; SRS 06RS-410

Enrolled No Amendments

Author: Senator Dardenne

Friday, June 16, 2006

LA # 71.03

CLERKS' of COURT COURT RETIREMENT & RELIEF FUND

EN 5yr SAVE \$3.3MLF

**Bill Provisions**



Thomas N. Rice, EA, MAAA, ASA

Legislative Actuary

**CLERK OF COURT RET. Provides with respect to employer contributions and reamortization of the frozen unfunded accrued liability. (7/1/06)**

**Estimated Fiscal Impact**

EXPENDITURES	2006-07	2007-08	2008-09	2009-010	2010-11	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	(\$601,000)	(\$630,000)	(\$660,000)	(\$691,000)	(\$724,000)	(\$3,306,000)
<b>ANNUAL TOTAL</b>	<b>(\$601,000)</b>	<b>(\$630,000)</b>	<b>(\$660,000)</b>	<b>(\$691,000)</b>	<b>(\$724,000)</b>	<b>(\$3,306,000)</b>

REVENUES	2006-07	2007-08	2008-09	2009-010	2010-11	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 Clerks of Court Retirement and Relief Fund (CCRS) is funded through local appropriations, agency self generated funds, and is receiving the maximum allowable allocated ad valorem and revenue sharing funds. For FY 2007 the projected contribution rate is set at 17.50% of member payroll.

The proposed legislation reamortizes the outstanding balance of the frozen initial unfunded accrued liability (IUAL) in the original manner but over the remaining time period.

Act 347 set conditions allowing the system to maintain the prior year's contribution rate if it was higher then the new rate. **By law, the extra payments over required funding can only be used to reduce the frozen initial unfunded accrued liability (IUAL) to accelerate it's payoff. The original amortization payments were to continue until the IUAL balance is paid off. This legislation will apply the value of those extra payments to reduce the original amortization payments.**

The Public Retirement Systems' Actuarial Committee (PRSAC) is authorized to meet and adopt a revised valuation for the system as of June 30, 2005, consistent with the proposed legislation affecting the employer contributions required for fiscal year 2006-2007.

**Actuarial Cost Impact**

*Additional Interest Liability* **\$ 26,938,000**

This amount reflects the payments necessary to pay the additional interest required if the IUAL outstanding balance is reamortized on June 30, 2005 and extended to FY 2029.

The projected amounts shown above, reflecting the actuarial and fiscal cost impact, are the employer contribution reductions projected over the next five years. The amortization reductions will continue, increasing at 4.75%, until FY 2026 after which additional payments will be required until FY 2029 under the proposed legislation. The funding impact is based on reamortized payments increasing at 4.75% over a remaining 24 year period assuming an eight percent (8.0%) actuarial return on investments and a revised valuation as of June 30, 2005. **The current projected employer contribution rate for fiscal year 2006-2007 would be reduced by 0.75%, from 17.50% down to 16.75% of payroll.**

**Actuarial Analysis**

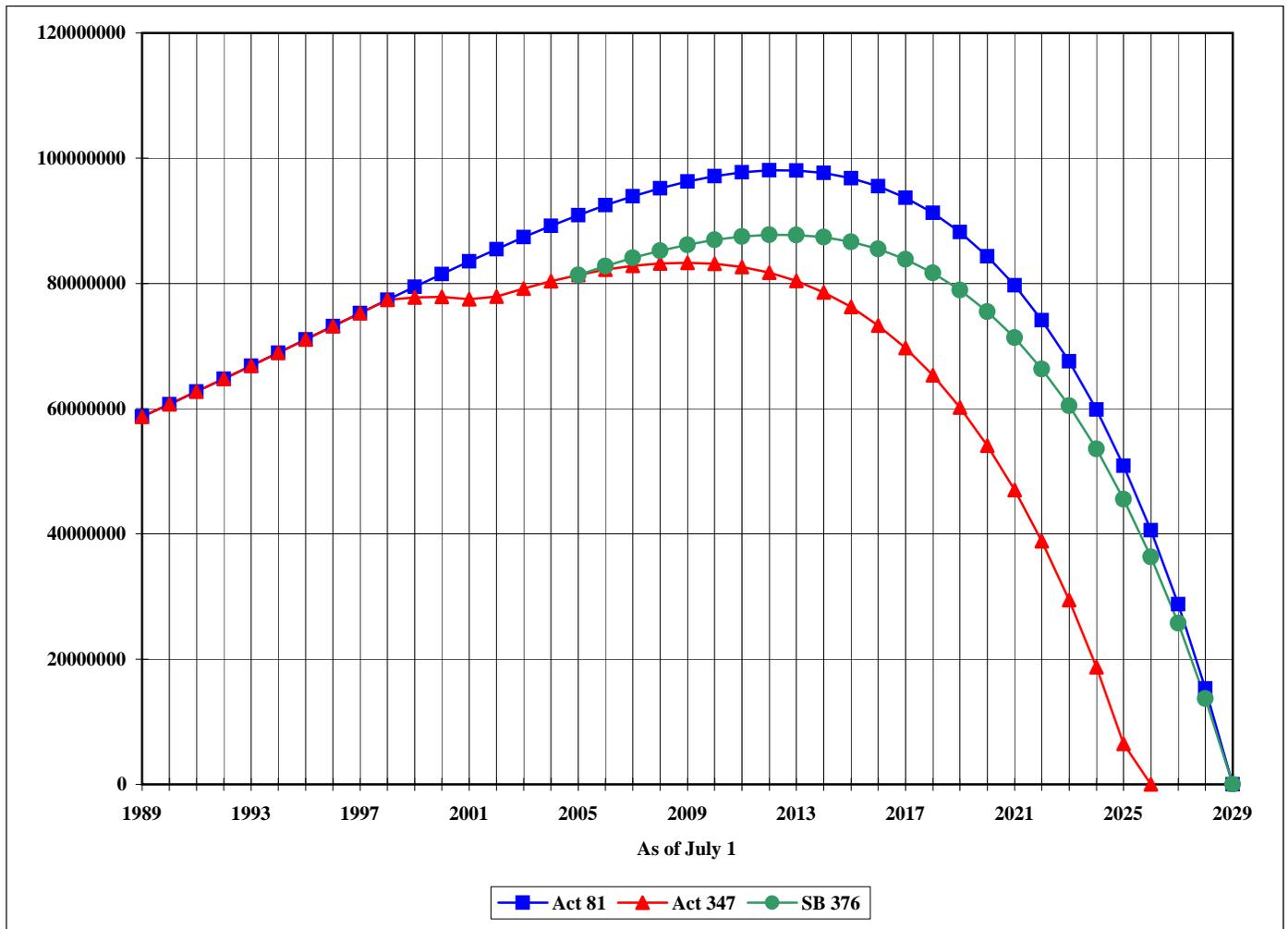
An additional \$6,660,800 of extra employer payments were contributed under Act 347. In compliance with the law these amounts were credited against the outstanding balance of the IUAL, but the employer's required amortization payments did not change. As a result of these extra payments the IUAL would have been paid off in FY 2026, three years earlier then originally scheduled.

Under the proposed legislation, the value of extra payments made to date under Act 347 will instead be amortized as a credit against future payments under the original schedule. The attached illustrations show payment and balance comparisons under the different methods.

**Clerks of Court Retirement and Relief Fund**  
**Projected Impact of Reamortization Under Proposed SB 376 RS2006**  
**Payments Beginning of Year \_ (Note Costs Assume Payments at Mid-Year with Interest)**

	Act 347		Proposed		Change in Amortization Payment	Additional Interest Payments
	Schedule IUAL Balance	Amortization Payment	Schedule IUAL Balance	Amortization Payment		
30-Jun-05	\$81,360,000	\$5,263,000	\$81,360,000	\$4,711,000	(\$552,000)	\$44,000
30-Jun-06	82,184,000	5,513,000	82,780,000	4,935,000	(578,000)	94,000
30-Jun-07	82,804,000	5,775,000	84,073,000	5,169,000	(606,000)	150,000
30-Jun-08	83,191,000	6,050,000	85,216,000	5,415,000	(635,000)	213,000
30-Jun-09	83,313,000	6,337,000	86,185,000	5,672,000	(665,000)	283,000
30-Jun-10	83,134,000	6,638,000	86,954,000	5,942,000	(696,000)	361,000
30-Jun-11	82,616,000	6,953,000	87,493,000	6,224,000	(729,000)	449,000
30-Jun-12	81,716,000	7,284,000	87,771,000	6,519,000	(765,000)	546,000
30-Jun-13	80,387,000	7,630,000	87,752,000	6,829,000	(801,000)	653,000
30-Jun-14	78,578,000	7,992,000	87,397,000	7,153,000	(839,000)	773,000
30-Jun-15	76,233,000	8,372,000	86,663,000	7,493,000	(879,000)	905,000
30-Jun-16	73,290,000	8,769,000	85,503,000	7,849,000	(920,000)	1,051,000
30-Jun-17	69,682,000	9,186,000	83,866,000	8,222,000	(964,000)	1,212,000
30-Jun-18	65,336,000	9,622,000	81,696,000	8,613,000	(1,009,000)	1,390,000
30-Jun-19	60,172,000	10,079,000	78,930,000	9,022,000	(1,057,000)	1,585,000
30-Jun-20	54,100,000	10,558,000	75,501,000	9,450,000	(1,108,000)	1,801,000
30-Jun-21	47,025,000	11,059,000	71,335,000	9,899,000	(1,160,000)	2,038,000
30-Jun-22	38,843,000	11,585,000	66,351,000	10,369,000	(1,216,000)	2,298,000
30-Jun-23	29,439,000	12,135,000	60,460,000	10,862,000	(1,273,000)	2,584,000
30-Jun-24	18,689,000	12,711,000	53,566,000	11,378,000	(1,333,000)	2,897,000
30-Jun-25	6,456,000	6,456,000	45,564,000	11,918,000	5,462,000	2,692,000
30-Jun-26	0	0	36,337,000	12,484,000	12,484,000	1,908,000
30-Jun-27	0	0	25,761,000	13,077,000	13,077,000	1,015,000
30-Jun-28	0	0	13,698,000	13,698,000	13,698,000	0
30-Jun-29	0	0	0	0	0	0
					\$26,938,000	\$26,938,000

**CLERKS' OF COURT RETIREMENT AND RELIEF FUND**  
**UAL BALANCE COMPARISON**  
**BASED ON FUNDING SCHEDULES**  
**AS OF JUNE 30, 2005**



(Act 81 - RS 1989, Act 347 - RS 1997, Senate Bill 376 - RS 2006)