

PUBLIC RETIREMENT SYSTEMS' ACTUARIAL COMMITTEE

Tuesday, February 3, 2015
1:30 p.m.
House Committee Room 6
State Capitol
Baton Rouge, Louisiana

MINUTES

1. Call to Order

The meeting was called to order by Chairman Daryl Purpera at 1:35 p.m.

2. Roll Call

Members Present: Mr. Daryl Purpera, Chairman, Louisiana Legislative Auditor (LLA)
Mr. Afranie Adomako as Delegate for Mr. Benjamin Huxen, Vice Chairman,
Designee for Commissioner Kristy Nichols,
Senator Elbert Guillory, Designee for Senate President John Alario
Representative Kevin Pearson, Designee for House Speaker Charles Kleckley
Mr. Ron Henson, Designee for Treasurer John Kennedy
Mr. Gary Curran, FCA, MAAA, ASA, EA
Mr. Charles Hall, FCA, MAAA, ASA, EA

Also Present: Mr. Paul Richmond, FCA, MAAA, ASA, EA, Manager of Actuarial Services, LLA
Ms. Liz Martin, Secretary

3. Approval of Minutes

Mr. Henson moved to approve the minutes for the November 19, 2014, meeting. Mr. Adomako seconded the motion, and with no objection, the motion was approved.

4. Discussion and approval of June 30, 2014, annual actuarial valuations and the required contributions and dedication of revenues contained therein for the following Statewide Retirement Systems:

(1) Assessors' Retirement Fund

Mr. Curran presented the Actuarial Valuation as of September 30, 2014, for the Assessors' Retirement Fund, highlighting the actuarial methods and assumptions, changes in plan provisions, demographics and liability experience, funding analysis and recommendations, and the cost of living increases.

Mr. Richmond stated that he reviewed the report and found the information to be correct; therefore, he supports the adoption of this valuation.

Senator Guillory moved to approve the valuation. Mr. Curran seconded the motion and stated the motion for the committee: Resolved that the actuarial funding valuation report dated September 30, 2014, as presented by G. S. Curran & Company, Ltd., shall be adopted as the official valuation for the Assessors' Retirement Fund, and that, as specified in the report, the minimum recommended employer contribution rate for fiscal 2016 shall be set at 6.75%, and that the fund shall receive the maximum allocated amount of ad valorem taxes and revenue sharing funds provided for by law for fiscal 2016.

Chairman Purpera asked if there were any objections to the motion, and with no objections, the motion passed unanimously.

(2) Clerks of Court Retirement and Relief Fund

Mr. Curran presented the Actuarial Valuation as of June 30, 2014, for the Clerks' of Court Retirement and Relief Fund, highlighting the actuarial methods and assumptions, changes in plan provisions, demographics and liability experience, funding analysis and recommendations, and the cost of living increases. He pointed out the recalculation of 2013 data to be shown in accordance with new GASB requirements for 2014 for easy comparison.

Mr. Richmond stated that he reviewed the report and recommended the adoption of this valuation.

Mr. Curran offered the motion: Resolved that the actuarial funding valuation report dated June 30, 2014, as presented by G. S. Curran & Company, Ltd., shall be adopted as the official valuation for the Clerks of Court Retirement and Relief Fund, and that, as specified in the report, the minimum recommended employer contribution rate for fiscal 2016 shall be set at 17.25%, and that the fund shall receive the maximum allocated amount of ad valorem taxes and revenue sharing funds provided for by law for fiscal 2016.

Representative Pearson seconded the motion. Chairman Purpera asked if there were any objections to the motion, and with no objections, the motion passed unanimously.

(3) District Attorneys' Retirement System

Mr. Curran presented the Actuarial Valuation as of June 30, 2014, for the District Attorneys' Retirement System, highlighting the actuarial methods and assumptions, changes in plan provisions, demographics and liability experience, funding analysis and recommendations, and the cost of living increases.

Mr. Richmond said the System is authorized to give a COLA under R.S. 11:243, but he has not received a request for a review. As per the law, if the legislative auditor does not certify that the funded ratio of the system meets the requirements and disagrees with the determination of the system's actuary, the matter shall be determined by majority vote of PRSAC. Mr. Richmond said that he reviewed the valuation report and recommended the adoption of this valuation if in accordance with R.S. 11:243.

Mr. Curran offered the motion: Resolved that the actuarial funding valuation report dated June 30, 2014, as presented by G. S. Curran & Company, Ltd., shall be adopted as the official valuation for the District Attorneys' Retirement System, and that, as specified in the report, the minimum recommended employer contribution rate for fiscal 2016 shall be set at 3.50%, and that the system shall receive the maximum allocated amount of ad valorem taxes and revenue sharing funds provided for by law for fiscal 2016.

Representative Pearson seconded the motion. Chairman Purpera asked if there were any objections to the motion, and with no objections, the motion passed unanimously.

(4) Firefighters' Retirement System

Mr. Curran presented the Actuarial Valuation as of June 30, 2014, for the Firefighters' Retirement System, highlighting the actuarial methods and assumptions, changes in plan provisions, demographics and liability experience, funding analysis and recommendations, and the cost of living increases. This System is unique because it splits the rate based on if the employees earn above or below the poverty level.

Mr. Purpera pointed out that the normal cost for fiscal 2015 is 24.9%, but the Louisiana State Employees' Retirement System and Teachers' Retirement System's normal cost is around 12%, asking why the difference. Mr. Curran responded that the normal cost reflects the benefit structures and demography, reality of benefits, higher accrual rates, less attrition, and hazardous duty by the firefighters.

Representative Pearson asked if the valuations were lowered because of efficiencies or convenience. Mr. Curran responded that the smaller systems have smaller populations, so there is more risk and more volatility making it more prudent to have a lower rate. He said it is subjective, with a lot of pieces to consider.

Mr. Richmond reported that this System has granted a COLA under R.S. 11:243 using excess earnings retroactive to January 2015. The board has already asked for and received a certification as required by law. He reviewed the valuation report and recommended the adoption.

Mr. Curran offered the motion: Resolved that the actuarial funding valuation report dated June 30, 2014, as presented by G. S. Curran & Company, Ltd., shall be adopted as the official valuation for the Firefighters' Retirement System, and that, as specified in the report, the minimum recommended employer contribution rate for fiscal 2016 shall be set at 29.25%, (for members earning below the Department of Health and Hospitals - DHH poverty guidelines) and 27.25%, (for members earning above the D HH poverty guidelines) and that the system shall receive insurance premium taxes of \$ 23,924,457 with accrued interest thereon for fiscal 2015.

Mr. Adomako seconded the motion. Chairman Purpera asked if there were any objections to the motion, and with no objections, the motion passed unanimously.

(5) Municipal Employees' Retirement System of Louisiana

Mr. Curran presented the Actuarial Valuation as of June 30, 2014, for the Municipal Employees' Retirement System, highlighting the actuarial methods and assumptions, changes in plan provisions, demographics and liability experience, funding analysis and recommendations, and the cost of living increases. He pointed out the effects of various factors on the cost structures for Plan A and Plan B as outlined on pages 9-10 of the report.

Mr. Richmond said he reviewed the valuation report and recommended the adoption but will continue to monitor and watch the actuarial value of assets.

Mr. Curran offered the motion: Resolved that the actuarial funding valuation report dated June 30, 2014, as presented by G. S. Curran & Company, Ltd., shall be adopted as the official valuation for the Municipal Employees' Retirement System and, that as specified in the report, the minimum recommended employer contribution rate for fiscal 2016 shall be set at 19.25 %, for Plan A and that the minimum recommended employer contribution rate for fiscal 2016 shall be set at 9.50%, for Plan B, and that the system shall receive the maximum allocated amount of ad valorem taxes and revenue sharing funds provided for by law for fiscal 2016.

Senator Guillory seconded the motion. Chairman Purpera asked if there were any objections to the motion, and with no objections, the motion passed unanimously.

(6) Municipal Police Employees' Retirement System of Louisiana

Mr. Curran presented the Actuarial Valuation as of June 30, 2014, for the Municipal Police Employees' Retirement System, highlighting the main points of the report and outlining the three different plans. He said a COLA was granted but not implemented until this year because of increased costs.

Mr. Richmond said he reviewed the valuation report and recommended the adoption.

Mr. Curran offered the motion: Resolved that the actuarial funding valuation report dated June 30, 2014, as presented by G. S. Curran & Company, Ltd. shall be adopted as the official valuation for the Municipal Police Employees' Retirement System, and that, as specified in the report, the minimum recommended employer contribution rate for fiscal 2016 shall be set at 32.00%, (for members earning below DHH or HHS poverty guidelines) and 29.50%, (for members earning above the DHH or HHS poverty guidelines) and 31.50%, (for all members of the non-hazardous sub plan), and that the system shall receive insurance premium taxes of \$17,704,000 with accrued interest thereon for fiscal 2015.

Senator Guillory seconded the motion. Chairman Purpera asked if there were any objections to the motion, and with no objections, the motion passed unanimously.

(7) Registrar of Voters Employees' Retirement System

Mr. Curran presented the Actuarial Valuation as of June 30, 2014, for the Voters Employees' Retirement System, highlighting the main points of the report. He said because this System has only 241 active members it has more risk and the valuation rate was reduced.

The System meets the criteria to grant a COLA, per Mr. Richmond, but he has not received a request for a review as per R.S. 11:243. He supported the adoption of this report.

Mr. Curran offered the motion: Resolved that the actuarial funding valuation report dated June 30, 2014, as presented by G. S. Curran & Company, Ltd. shall be adopted as the official valuation for the Registrars of Voters Employees' Retirement System, and that, as specified in the report, the minimum recommended employer contribution rate for fiscal 2016 shall be set at 18.50%, and that the system shall receive the maximum allocated amount of ad valorem taxes and revenue sharing funds provided for by law for fiscal 2016.

Senator Guillory seconded the motion. Chairman Purpera asked if there were any objections to the motion, and with no objections, the motion passed unanimously.

(8) Sheriffs' Pension and Relief Fund

Mr. Curran presented the Actuarial Valuation as of June 30, 2014, for the Sheriff's Pension and Relief Fund, highlighting the main points of the report. Because of the GASB style of reporting, the market effects will show immediately in the employer's normal cost accrual rate.

The System is eligible to grant a COLA as per R.S. 11:243, but Mr. Richmond had not received a request for a review as of this meeting. He recommended the adoption of this report.

Mr. Curran offered the motion: Resolved that the actuarial funding valuation report dated June 30, 2014 as presented by G. S. Curran & Company, Ltd. shall be adopted as the official valuation for the Sheriffs' Pension and Relief Fund, and that, as specified in the report, the minimum recommended employer contribution rate for fiscal 2016 shall be set at 11.75%, and that the fund shall receive the maximum allocated amount of ad valorem taxes and revenue sharing funds provided for by law for fiscal 2016. In addition, the Fund shall receive \$ 17,704,000 with accrued interest thereon in insurance premium taxes for fiscal 2015.

Senator Guillory seconded the motion. Chairman Purpera asked if there were any objections to the motion, and with no objections, the motion passed unanimously.

5. Statewide System COLAs

Mr. Richmond explained that during the 2013 Regular Session, R.S. 11:243 replaced R.S. 11:242 if the governing authorities of each of the statewide retirement systems elected to be governed by this law. All statewide systems did elect to accept the new provisions of R.S. 11:243 which are much simpler rules.

Mr. Richmond explained that the method prescribed in 1986 was the Projected Unit Credit (PUC) method for all systems, except for the Municipal Police Employees' System which uses the Entry Age Normal (EAN) method. The legislative auditor is considering changing the method to EAN for all systems because it reduces the number of calculations that must be made by the actuary and treats all systems the same. The EAN method is also becoming the method of choice throughout the public sector.

Mr. Hall asked if PRSAC has to approve the change. Mr. Purpera said the method is prescribed by his office but will take any input or concerns prior to making this change.

6. Other Business

Mr. Hall attended a meeting where Superintendent John White and Dr. Richardson discussed a study of pension reform on behalf of school boards in Louisiana. He felt that all the work done by the Legislative Auditor's office and the actuaries is readily available and did not see the necessity for another study because this committee is readily available to help them.

Representative Pearson had attended the Board of Elementary and Secondary Education's (BESE) meeting and was able to delay their expenditure of \$140,000 for the study because it was not necessary when the information is already available. He said he would keep everyone abreast of BESE's decision.

Mr. Purpera said his office does issue an annual report and since state agencies' budgets are tight, agencies definitely should utilize the available people who understand pension issues. The normal cost for TRSL is 12.2%, and the employer contribution is 4.23%, which is lower than social security.

7. Adjournment

Representative Pearson moved to adjourn, and Mr. Curran seconded the motion. With no objection, the meeting was adjourned at 3:06 p.m.

Approved by PRSAC: _____ **August 13, 2015**
Date