PUBLIC RETIREMENT SYSTEMS' ACTUARIAL COMMITTEE

Tuesday, June 28, 2011
10:00 a.m. to 12:00 noon
House Committee Room 2
State Capitol
Baton Rouge, Louisiana

MINUTES

1. Call to Order

The meeting was called to order by Chairman Steven Procopio at 10:06 AM.

2. Roll Call

Dr. Procopio asked for a roll call. All members were present, to include: Dr. Procopio for Commissioner Rainwater, Mr. Ron Henson for Treasurer Kennedy, Representative Kevin Pearson for Speaker Tucker, Senator Butch Gautreaux for President Chaisson, Mr. Gary Curran, and Mr. Charles Hall. Also present: Sue Israel, Laura Gail Sullivan, Matt Tessier, Paul Richmond, and Shelley Johnson.

3. Approval of Minutes

Dr. Procopio advised that there was a slight difference in the minutes in the member packets than those that had been emailed to the members the preceding day. Some minor wording had been deleted from the DARS section on page 6 at the request of Mr. Richmond with the Legislative Auditor's office. A motion was made by Mr. Purpera to approve minutes as included in the member packet. Rep. Pearson seconded the motion. The motion passed with no objection.

4. Discussion and Approval of the 9/30/2010 Actuarial Report, Contributions, and Tax Sharing Allocations for the Louisiana Assessors' Retirement Fund

Mr. Curran presented the actuarial report for the system. He stated that they are recommending an increase in the minimum employer contribution rate from 4% to 9.75% for 2012. He advised that the members keep in mind the system has been contributing 13.5% for the last several years, which is in excess of that minimum, and he anticipates they will continue to do so. In the past, that excess has gone to reducing the unfunded liability. Now they are going into the funding deposit account. Eventually they will probably go to reduce the unfunded liability. This is a fairly large increase in the contribution rate. Page 7 of the report shows a reconciliation of the normal cost accrual rate between the prior year and the current year. You can see there was a normal cost accrual rate of about 23% in 2010. The biggest factor was an assumption loss at almost 8.3%, and the lion's share of that is because they reduced the valuation interest rate from

8% to 7.5%. The board wanted to adopt a more conservative rate. They knew they couldn't reduce that rate and still maintain contributions below the current contribution level. There was also an asset loss of 1.3% because of earnings below the assumed rate, although the market value of earnings was 7.7% in 2010 and the actuarial rate of return was 5.1%. Most of that is due to the unliquidated market loss back in 2008. Just as the other systems have suffered from below par earnings in that year, so did this system; and that's being phased in over five years so they are still realizing part of that loss. There were also some gains from liability, experience, and new members that did offset the cost somewhat, but again, the big story is that most of the increase is due to the reduction of the valuation interest rate.

Mr. Curran made a motion to adopt the valuation, set the minimum recommended net employer contribution rate to 9.75% for 2012, and set ad valorem and revenue sharing amounts at their statutory maximum.

Rep. Pearson asked Mr. Curran to explain why the ad valorem amount was set at statutory maximum. Mr. Curran stated that this system gets a fairly substantial amount of revenue from ad valorem taxes and revenue sharing. They are projecting that ad valorem taxes for 2011 will amount to about $10.3 million. He recalled that ad valorem taxes for assessors are approximately a quarter percent (.25%) of taxes shown to be collected.

Mr. Curran stated that the amount of taxes has bigger effect for this system because this system is so small. So on a percentage basis, this has a pretty big impact on their bottom line such as substitution for employer contributions. There are a couple of other smaller statewide retirement systems, such as District Attorneys, where the ad valorem taxes as a percent of payroll are substantial. He said that when some of the smaller systems were conceived, he believes the idea was that that the ad valorem taxes would be sufficient to substitute for an employer contribution, but over time that has not proved to be the case so they have an employer contribution in addition to the ad valorem taxes.

Rep. Pearson said Mr. Curran had stated that there was .25% on taxes collected, but Rep. Pearson wanted to know if he was correct in assuming that this was on all taxes assessed. He asked if this is the unique system that does charge on taxes collected and not collected.

Mr. Curran said what makes this unique is on the taxes shown to be collectable, what's different about Assessors' from the other systems is this is on the total tax including the homestead exemption, as opposed to most other systems where it's on what's called the taxpayer tax.

Another factor, Mr. Curran explained, is this system has been able to collect taxes from the City of New Orleans by going to the Treasurer's Office to collect. There's been litigation going on for over 20 years between many of the statewide retirement systems and the City of New Orleans because the city hasn't paid ad valorem taxes to these systems. This is an ongoing litigation for most systems, some are trying to negotiate with the city, and some systems have statutory authorization to get the funds from the Treasurer's Office if the city does not pay. That's part of what makes up this ad valorem tax is those taxes/revenues coming from the City of New Orleans.

Mr. Richmond stated that his staff has reviewed the Assessors' Retirement Fund valuation. Although they haven't performed an independent valuation, they have thoroughly reviewed the

actuary's report and have had discussions with Mr. Curran and his staff. As a result, they have found that the report is a reasonable projection of the costs associated with the program.

At this point, Mr. Hall seconded Mr. Curran's motion, which passed without objection.

5. Review of the 30.5% Employer Contribution Rate to Louisiana State Employees' Retirement System (LASERS) for Appellate Law Clerks

Dr. Procopio asked LASERS representatives to begin by presenting a summary of the issues. Ms. Tina Grant, Executive Counsel for LASERS, and Ms. Shelley Johnson, System Actuary, came to the table on behalf of LASERS. Ms. Grant stated that Act 1026 of 2010 required that the normal cost be calculated separately for each plan within LASERS so that the employer would pay employer contributions for each employee at the rate applicable to the employee's plan. This was to begin for fiscal year 2011-2012. Appellate law clerks, according to the law, are considered court officers, but only for the purpose of eligibility. They actually get rank and file accrual rate. So when their actuary calculated the normal cost according to Act 1026, she came up with a blended or aggregate rate of 30.5%. But she took into account that appellate law clerks only receive judicial eligibility; they do not get the same accrual rate as the judges get. If that aggregate rate is separated, you end up with appellate law clerks having their rate at 24.2% and judges at 31.8%. At its last meeting, PRSAC approved the aggregate rate of 30.5%.

Ms. Johnson explained how she came to the conclusions she did when calculating the rates in the aggregate. The act required that they prepare a separate calculation by plan, but it also said by plan as specified in this act. If you look at the act, there is no specific plan for appellate law clerks. Thus, it was not clear to her that it should be a separate plan or in which plan it should be included. She thought it should be included in judges but needed some clarification, so she sought input from LASERS legal staff. It was their opinion, because the statutes say that appellate law clerks should be considered court officers, that was the basis of their opinion and thus the basis for her valuation.

They looked at it a number of ways when they realized there were some differences of opinion, and LASERS asked her to look at what the rates would be if it had been interpreted differently, and if the appellate law clerks had their own rate. So she has looked at it three different ways. What she found was, if appellate law clerks are included with the judicial plan, the employer contribution rate for judges would be 30.5% and it would be 25.6% for rank and file. If appellate law clerks were determined separately, the judges' rate would increase to 31.8%, 24.2% for appellate law clerks, and no change to rank and file (25.6%). And she has been asked in recent discussions what would be the impact if the appellate law clerks were included with the rank and file. The judges' rate would increase to 31.8% if the appellate law clerks were pulled from that group, and because of rounding, the rank and file would remain the same at 25.6%. In her opinion, they never would have come to the conclusion that the appellate law clerks should have had the rank and file rate, but the Act does allow for PRSAC to determine which plan a group should be a part of.

Sen. Gautreaux requested that Senate Counsel Laura Gail Sullivan provide further explanation of the issue. Ms. Sullivan stated that PRSAC decides what plan appellate law clerks are part of. What Ms. Johnson was looking at in the new law specifies that there would be a separate plan for judges and court officers to whom a specific section of the law is applicable. So, the real

question is whether it is anybody that any provision applies to or whether it is only people that the whole title applies to. So there was definitely a question on this. There are several provisions for eligibility in the judges subpart A, but specifically the only piece that applies to the appellate law clerks is eligibility for retirement. There are other provisions about eligibility for this plan and the definition of judges and court officers, and in those portions of this subpart, the appellate law clerks are not listed. They are only listed for the eligibility provision relating to retirement. So there was a question about whether the instruction from the legislature had been to include anybody in any part of the subpart A, or if it should only be for the people that the bulk of or all of subpart A applies to. She said this is what she thinks PRSAC is being asked at this meeting.

Mr. Purpera asked Ms. Sullivan to further explain the term "subgroup" mentioned in a specific portion of the law. She said for the most part, in drafting the law, they had used the groups that LASERS had historically used. There is a big chart that LASERS uses that contains about 108 different combinations and permutations, but for the most part, they divide people into these special sub-plans. The sub-plans are usually characterized by the accrual rate and the contribution rate, and then for public safety, there is also the 25-and-out provision. But staff failed to notice that the appellate law clerks were only in one portion of that provision. But there is a specification in the law that if there is a question about it, if there are other specialty plans that are provided for, then the legislation should specify whether these new specialty plans should be in their own classification or in one of these existing classifications. If the legislation is silent, then PRSAC provides for the application to which plan those people would be placed.

Mr. Purpera asked Ms. Sullivan to confirm his understanding that in this particular instance, the appellate law clerks have the same eligibility for retirement at 18 years as the judges have, but there is an accrual rate of 2.5% on one side (for the appellate law clerks) and 3.5% on the other side (for the judges). He asked if she was saying these were separate sub-groups.

Ms. Sullivan responded that LASERS only had the authority to set up subgroups A-K. The law was to apply only to those that all of subpart A applied to, and she went on to explain the differences in accrual rates and contribution rates that apply only to the appellate law clerks. The bulk of the provisions that apply to the appellate law clerks are rank and file provisions. For the most part when people are thinking about a plan, they are focusing on what they are required to pay and what they will get as a result. And these appellate law clerks pay and receive what rank and file receive, not what the judges pay and receive. She said it was her understanding that most of the appellate law clerks were not retiring under the more relaxed eligibility provisions for retirement in the judicial plan. Rather, for the most part, for reasons more peculiar to appellate law clerk work, they are not retiring until a time that they would be eligible under the rank and file plan.

Ms. Johnson said that was something she hadn't looked into, but in terms of from the benefit structure, the point is that they can retire early and they do have an 18-years-at-any-age eligibility provision, which is substantial. There are many aspects to a plan of benefits, and although eligibility is only one of about 20 or so characteristics, it is a fairly large one. Just because the rest of the benefits are with the rank and file, it doesn't make it clear that it should be with the rank and file plan. She felt there was obviously some question as to where this one belongs.

Ms. Sullivan said she thought that PRSAC would certainly have the authority to say it was going to set up a special new special sub-plan for appellate law clerks that is going to take into account their accrual rate, their contribution rate, and also their eligibility provisions. She said she would defer to the actuaries on the more appropriate way to handle this, but PRSAC needs to decide if the appellate law clerks need to stay in the judicial plan, if they need to be moved to rank and file, or do they need to set up a new sub-plan especially for those law clerks. If the appellate law clerks are moved out of the judicial plan, the rate will change for those who remain in that sub-plan. However, it is her understanding that the judiciary will pay the contributions that are necessary whether they pay different rates for their appellate law clerks than judges or the same rate. It will just be a question of who pays and whose salary it is paid on. But the third choice outlined (moving the appellate law clerks to a new special sub-plan) would probably be something that would be looked at for the next valuation. For purposes of this meeting, she said, the question before PRSAC on this day is should rank and file apply to these appellate law clerks or should the appellate law clerks remain in the judicial sub-plan.

Dr. Procopio asked Ms. Johnson to repeat what the implications of those options would be. She explained that currently, as approved for LASERS at the last PRSAC meeting, the employer rate for judges is 30.5% for fiscal year 11-12, beginning July 1. If the appellate law clerks are pulled out from the judicial plan and their rate is independently determined plan, then the judges' employer contribution rate would increase to 31.8% while the appellate law clerks' contribution rate would be reduced to 24.2%, which is substantially less (1.4%) than rank and file at 25.6%. If the appellate law clerks were moved to rank and file, then the judges' employer contribution rate would increase to 31.8% from the current 30.5% while the rank and file would remain the same at 25.6%.

Mr. Curran asked if there are any other cases in the state system where within one unit there is this sort of sub-group, or is this an anomaly. Ms. Johnson replied that this case was definitely not an anomaly. Even within rank and file, there are different rank and file plans. Mr. Curran asked if PRSAC took the approach of separating them out into a separate plan, if they would be doing something that they weren't doing for any other sub-groups. Ms. Johnson replied that he was correct. He also asked if the agencies that would be paying the contributions for the appellate law clerks different than the one that would be paying for the judges, or is that not a consideration because it would all be coming out of the same pot. Ms. Johnson said she would not have that answer, but from the financial impact on LASERS, they would be indifferent. Dr. Procopio asked representatives of the appellate court to come to the table to answer that question.

Ms. Christine Crow, Clerk of Court of the First Circuit Court of Appeal, said part of the reason they were on the agenda is because their chief judges asked for this contribution rate to be reconsidered. The primary reason is totally budgetary for the courts of appeal. They pay for the employer rate for most of the appellate clerks in the system. The judges have a line item in the appropriations bill, but they pay a line item in the general appropriation bill for the appellate law clerks. When this provision was added back in 1995 and it flew under the radar, no one even knew it existed until the year 2000 and the question came up when DROP appeared, at which time they asked LASERS to make the determination if appellate law clerks were eligible for DROP at 18 years and then were precluded from DROP'ing like a regular rank and file employee. The answer they were given was yes, they are eligible for DROP at 18 years. She said they have paid at the employee and employer rank and file rate until this act came out.

When they learned of it, it raised concerns because they were restricted in their budgets and were paying increased costs through flat budgets like everyone else. Thus, it was going to hit them in the five appellate courts at a 30.5% rate when they had been paying the rank and file rate. So from a budgetary standpoint, it really does have huge impacts on their individual budgets.

The other point she wanted to make is, if you look at the eligibility provisions, it's not just state employees who are eligible under court officers and judges. There are some local agencies that participate in those categories. She pointed out the Fourth Judicial District Court in the Monroe area who, if you're using the blended rate, you're getting less from local funding than you should. It's not going to be a whole lot; there are only a few courts. But basically by blending the rate, you're charging the state a little bit more that could be passed on to some of the locals who are accruing at the 3.5% rate and have the judges eligibility. The appellate law clerks accrue at 2.5%. When they learned they were going to have to pay the increased employer rate, the clerks asked if they could get the 3.5% accrued rate too, and of course, the answer is no because the law doesn't provide for that. However, as the employer, they don't feel like this increase for appellate law clerks should be flowing through their budget units.

Dr. Procopio asked Mr. Purpera if he could provide more clarity since the appellate court had approached his agency first about the problem. Mr. Purpera asked his general counsel, Ms. Jennifer Shay, to speak on this matter because she had been researching it. She said they looked at this issue when the First Circuit asked them about it. She said they were not the Attorney General and that this might need to go through through an Attorney General's opinion because there were different interpretations being made. However, from the Legislative Auditor's perspective, when you look at appellate law clerks, there are two issues: eligibility for retirement and employer contributions. It appears to them that the section talking about eligibility for retirement makes appellate law clerks as court officers only for eligibility purposes. When they then looked at the employer contribution area, they looked like a sub-group and should have a separate employer contribution rate than the judges had. That's the simple way they looked at it because the section said they were only court officers for eligibility for retirement, not court officers as regards employer contribution rate. When you layer on top of that the Act 1026, that appears to be directing that you will take every employer contribution rate depending on the group or sub-group the employee is in. It appears to them that this is a separate sub-group with a different employer contribution rate.

Dr. Procopio asked if they considered it as a separate group. She said they appear to be in the group with rank and file; they don't appear to be in the sub-group with judges and other court officers. They're only in that group, the way it's currently stated in the law, for purposes of eligibility for retirement.

Mr. Purpera said, going back to the valuation they were presented at the last meeting, there is a table of the categories they're talking about. Based on what they were hearing at this meeting, it looks to him like category B is the judges, court officers, and law clerks, and category A is rank and file. And what he was hearing is that the sub-plan appellate law clerks eligibility accrual rates looks more like the category A rank and file than the category B judges and court officers; that they don't want to create a new category. It seemed that law clerks should be in rank and file, not in court officers. He wasn't sure who to ask this question of, but he wanted to know if his interpretation was correct.

Ms. Crow said when they look in the handbook posted on the LASERS website, dated April 2011, the section on appellate law clerks leads the reader to the section on rank and file; then the section on the judicial plan lists everyone covered under the 3.5% accrual rate, leading her to believe that LASERS's own publications lead to the conclusion that the appellate law clerks are more like rank and file, which they have thought since 1995.

Ms. Sullivan pointed out that the legislature made a conscious decision to put all rank and file into one pot even though the pre-Act 75 people and post-Act 75 people have substantially different benefits, including eligibility. She didn't believe it was the author's intent to have it down to where four or five or six people would cause them to have to keep separate books on them. Only one part of the section on the judicial plan applies to appellate law clerks, the part on eligibility. The only part you see appellate law clerks mentioned is the part on eligibility.

Mr. Henson asked Ms. Shay if it was her determination that appellate law clerks more properly align themselves with the rank and file. Ms. Shay stated that the only place they could find law clerks mentioned was in that small section relating to eligibility, no other part. Mr. Henson then asked, if the separation of the appellate law clerks is made and the judges contribution were raised to 31.8%, would there be any hesitation on the part of the judges to embrace the increased contribution rate. And also, if the law clerks were in a separate sub-plan, their contribution rate would be lowered to 24.2%. So since they raised this issue, would the appellate law clerks be willing to embrace the higher contribution rate of the rank and file's 25.6%. Ms. Crow said the judges are aware that the judges' rate could increase, and there is flexibility on the part of the Supreme Court to provide for the increased employer contribution rate. In regard to the rank and file, they had no expectation that there would be any different contribution rate for the appellate law clerks than the rank and file.

Mr. Henson asked if they removed the appellate law clerks from the judges' plan and moved them to rank and file, would PRSAC be in compliance with the law. Ms. Crow said it was her opinion that they absolutely would be in compliance with the law. Ms. Shay agreed. Mr. Henson said he didn't want to suggest that the committee vote on anything that wasn't in compliance with the statutes and he understands that there are some ambiguities. However, since they are looking for an answer today, it's his understanding that getting an AG's opinion is not an option. Therefore, he wanted to get the opinion of the legislative legal staff on the question in hopes that they could make a determination today.

Ms. Sullivan said she didn't think placing this small group in rank and file would harm the system. The legislature provided for setting of employee and employer rates through PRSAC. PRSAC has the authority to determine if they should be placed in a separate sub-plan. Dr. Procopio asked her to clarify what the employer contribution rates would be if the appellate law clerks were removed from the judicial plan. She stated that, if the appellate law clerks were moved to a separate plan, their rate would be 24.2%, and the judges rate would go up from 30.5 to 31.8%. If the appellate law clerks were moved to rank and file, their rate would be 25.6%, same as rank and file. The appellate law clerks are the most similar to rank and file. They just have a slightly different eligibility for retirement than rank and file. There are already two sub-groups in rank and file.

Mr. Purpera asked if PRSAC moved the appellate law clerks to rank and file, would it be appropriate to raise the judges' rate to 31.8%, and Ms. Johnson replied that the judges rate would increase, but it would be on a smaller number of people.

Mr Hall said he would like to approach the issue from an actuarial point of view. To him, it appears that appellate law clerks are more like themselves than anything else and should not be in rank and file or in judges. Because of the magnitude of their provisions, judges pay an employee rate of 11.5% and appellate law clerks pay 7.5%, and will be paying 8%. The early retirement provision is a substantial benefit to the clerks, as well as being able to start DROP at 18 years. Rank and file pay the same amount but don't get the better eligibility. It was the intention of the legislation to separate sub-groups from rank and file. If appellate law clerks were separated from the judicial plan, they would be in their own sub-section and get their own rate. It would be a bad precedent to set.

Mr. Henson asked if PRSAC could set up a separate sub-group for the appellate law clerks now, which would answer Mr. Hall's concerns. He would like to hear what would be the advantage of doing that. If there was no clear advantage, he would like to move that the appellate law clerks be removed from the judges plan and be moved into rank and file. Dr. Procopio recognized the motion and clarified that moving the appellate law clerks to rank and file would also mean setting the employer contribution rate for judges at 31.8% and the rate for the appellate law clerks would be 25.6%, or the same as rank and file.

Rep. Pearson asked to hear from LASERS for their opinion on what the impact would be if new clerks go into rank and file as of 2011. Ms. Grant said that new clerks hired after January 1, 2011, would be rank and file members while new judges would not. Rep. Pearson asked how many people are in the 18-year retirement eligibility group and was told 160.

Ms. Cindy Rougeau, Director of LASERS, explained that this issue was brought to their attention because a budgetary issue had been created with respect to not having enough money in the law clerks' budget to pay the higher rate for the clerks. She believes that creating a new group might be creating complications and a problematic precedent when what was needed was to resolve a budget issue. She agrees with Mr. Hall that the appellate law clerks are not rank and file. She stated that LASERS would comply with PRSAC's decision, but they are concerned because there are already so many sub-groups. If they start breaking out more, it could be creating many problems and questions for a one-year budget issue.

Mr. Purpera asked Mr. Richmond for his perspective on the possibility of moving the appellate law clerks to a separate sub-group. Mr. Richmond said he would disagree with that. He believes it is more a legal issue than an actuarial one. Actuarially, they can accommodate it, and it is a small issue with small numbers. From what he was hearing, he believed PRSAC needed to do what made sense from a practical standpoint. He said he had not reviewed the numbers, but they seemed to be reasonable given the magnitude of the people involved.

Dr. Procopio stated that a motion had been made by Mr. Henson to move the appellate law clerks to rank and file, to set their employer contribution rate to 25.6%, and to set the judicial plan's employer contribution rate to 31.8%. Sen. Gautreaux seconded the motion. With no objection, the motion passed.

6. Review of Legislative Actions from the 2011 Regular Session – HB 332. Review of contribution rates for Firefighters' Retirement System, Municipal Employees' Retirement System', and Municipal Police Employees' Retirement System.

- Firefighters' Retirement System

Mr. Curran began by explaining what effect HB 332 would have on Firefighters' Retirement System. He explained the revised Exhibit 1 that had been included in the member packets, which had been revised to be consistent with HB 332. There would now be two sets of employee rates as a result of the legislation. If an employee earns less than the poverty rate, their employee rate will remain the same at 8% and the employer contribution rate would be 25.25%. If an employee earns more than the poverty level, then the employee contribution rate will increase to 10% and the employer rate will reduce to 23.25%. In general, the employee isn't financially equivalent to the employer rate. Turnover rates are enough that the difference is insignificant.

Mr. Curran made a motion to revise the rate for Firefighters' Retirement System so that contributions for employees who earn at or below the poverty level will be 8% and the employer rate will be 25.25% and employees that earn above the poverty level will contribute at 10% and the employer contribution rate will be 23.25%.

Mr. Richmond stated that he agreed with Mr. Curran's analysis. He believed that next year's valuation should review these changes and determine if any adjustments are needed, but he believed rate revisions should be accepted for the current year as made in Mr. Curran's motion.

Mr. Tom Ed McHugh with the Louisiana Municipal Association came forward at Dr. Procopio's request to comment on behalf of the LMA. Mr. McHugh said he understood that they would have issues in a year. He said they assume when they talk about salary, it is whatever an individual makes that is reported, but scheduled and unscheduled overtime is becoming an issue. Mr. Curran said he would have to defer to the attorneys on that point.

Dr. Procopio invited Firefighters' Retirement System to comment. Mr. Steven Stockstill, Director and counsel for the system, said they take a fiscally conservative approach. They think they should look at an employee's total salary, which should include scheduled and unscheduled overtime, to determine if an employee is at the poverty line. Then they believe they should do a separate set of calculations and look only at earnable salary level. Mr. McHugh agreed with Mr. Stockstill's assessment.

Ms. Sullivan explained that the statute specifies that it is earnable compensation; that is, the full amount earned on a regular tour of duty, which does not include overtime. The statutes tell us what earnable overtime is. Dr. Procopio asked Ms. Sullivan if that was a PRSAC issue, and she said it was not; it is a local issue. Mr. Curran said the sum of the employee and employer contribution rates is the same as either amount. The system is indifferent. Local systems determine where employees fall.

Mr. Curran made a motion to revise the contribution rate as he had explained it. Mr. Hall seconded the motion, which passed with no objection.

Dr. Procopio asked Mr. Curran if it was correct that Municipal Employees' Retirement System experienced no changes as a result of HB 332 and so there is nothing for PRSAC to review, which Mr. Curran confirmed.

- Municipal Police Employees' Retirement System (MPERS)

Mr. Hall, who appellate law clerks is system actuary for MPERS, said that he had a dilemma that would affect what he presents on HB 332. After the last PRSAC meeting approved the rate for MPERS, he received a phone call from the Legislative Auditor's office who reported that an amortization credit had not dropped off the schedule, which would require the rate to be set at 29%, but PRSAC had already set the rate at 28%. He asked legislative counsel to advise if he could take this into consideration along with HB 332 and adjust the rate from 28% to 29%. Ms. Sullivan advised that statute did not prohibit that.

Mr. Hall explained that when HB 332 is applied to the (revised) 29% contribution rate, an employee at poverty level would have a contribution rate of 7.5% and the employer contribution rate would be 29%. For an employee above the poverty line, the employee contribution rate would be 10% and the employer rate would be 26.5%.

Mr. Richmond stated that he and his staff had reviewed the increased rate from 28% to 29% and the methodologies for HB 332 and they agree with Mr. Hall.

Sen. Gautreaux made a motion to revise the contribution rates for Municipal Police Employees' Retirement System as presented by Mr. Hall. Mr. Curran seconded the motion, which passed with no objection.

7. Other Business

Mr. Purpera said his office had requested an Attorney General's opinion on La. R.S. 11:1144(B)(3) and its application to LSERS when the funded status of the system falls below 100%. To summarize, he said the Attorney General's opinion agreed with the way the contribution has been calculated in the past. Although the funding did drop below 100% on several occasions, the Attorney General's office found that R.S. 11:1144(B)(3) is not applicable. Mr. Purpera provided a copy of the opinion for the record.

8. Adjournment

With no other business for the committee, Dr. Procopio asked for a motion to adjourn, which was made by Mr. Purpera and seconded by Rep. Pearson. The meeting was adjourned at 11:39 AM.

Respectfully submitted,

Dr. Steven T. Procopio, designee of Commissioner Paul W. Rainwater
Chair

Date Approved by PRSAC: **October 11, 2011**