

PUBLIC RETIREMENT SYSTEMS' ACTUARIAL COMMITTEE

Wednesday, November 19, 2014

1:30 p.m.

House Committee Room 4

State Capitol

Baton Rouge, Louisiana

MINUTES

1. Call to Order

The meeting was called to order by Chairman Daryl Purpera at 1:45 p.m.

2. Roll Call

Members Present: Mr. Daryl Purpera, Chairman, Louisiana Legislative Auditor (LLA)
Mr. Benjamin Huxen, Vice Chairman, Designee for Commissioner Kristy Nichols,
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

Members Absent: Senator Elbert Guillory, Designee for Senate President John Alario

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

3. Approval of Minutes

Representative Pearson moved to approve the minutes for the July 10, 2014, meetings. Mr. Huxen 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 State Retirement Systems:

(1) Louisiana State Employees' Retirement System (LASERS)

Ms. Shelley Johnson of SJ Actuarial Associates presented the actuarial valuation report for the system. She explained there were a lot of one-time events in the valuation that had large impact which were good for LASERS and the state. Act 571 of the 2014 Regular Session authorized the change from projected unit credit to entry age normal cost method and becomes effective on the date that PRSAC adopts the valuation. This effects the Unfunded Accrued Liability (UAL) and the contribution rate because essentially a change in how benefits are funded. Another change was in the discount rate from 8% to 7.75%, which the board adopted. The reason for this recommended change was because actuarial standards of practice previously allowed a range of reasonableness for the actuarial assumptions. But the

standards of practice are being tightened in their language and moving toward language saying that the actuary should use their best estimate. Ms. Johnson further explained positive benefits from other changes including Act 399 of the 2014 Regular Session.

Ms. Johnson read the projected cost for fiscal year 2015-2016 from page three of the valuation report which included the employee normal cost and the total employer contribution rate for each plan. The aggregate of all LASERS plans' minimum recommended required employer contribution rate is 37.0%, and the employer normal cost is 3.6%. The chart on page 68 shows the UAL payments are now significant enough to be paying down the principal and interest on the UAL.

Mr. Richmond stated that he thoroughly reviewed the report and felt confident in the fair representation and recommended approval. He was comfortable with 7.75%, but suggests further monitoring because prefers 7.25% to 7.5% in light of volatility of earnings from year to year. The Society of Actuaries recently issued a new Generational Mortality Table which will also affect the valuations in the future.

Mr. Hall made a motion that the committee adopt the actuarial valuation as presented by Ms. Johnson for LASERS and the employer contribution rates contained therein. Mr. Purpera restated the motion to adopt the June 30, 2014, actuarial valuation report as stated for LASERS which will include a DROP accumulation rate of 12.95%, the aggregate employer contribution rate is 37%, and the entire schedule on page three of the report, and the projected aggregate employer normal cost rate of 3.5612% and a projected rank and file rate of 3.7451%. The motion was seconded by Mr. Huxen. Mr. Purpera asked if any objections to the motion, and with no objections, the motion was approved.

(2) Teachers' Retirement System of Louisiana

Ms. Johnson presented the valuation report on TRSL, pointing out the experience study done the prior year which showed better mortality for teachers. Act 571 of the 2014 Regular Session authorized the change from projected unit credit to entry age normal cost method and becomes effective on the date that PRSAC adopts the valuation. Ms. Johnson stated there was a reduction in the number of retirees, and drop accounts, and payroll increased slightly, and further explained the effects of changes in the law. When they reach the point where UAL payments level out, then they can expect employer contributions to decrease.

Mr. Richmond said based on his comprehensive review of the valuation, he strongly supports the committee's adoption of the report.

Mr. Henson moved to adopt the valuation as reported by Ms. Johnson. Mr. Purpera restated the motion that the committee adopt the valuation for TRSL as of June 30, 2014, as reported which will include a DROP accumulation rate of 12.64%, an aggregate total employer contribution rate of 26.2% as stated on page three the individual plan rates, and also the projected aggregate employer normal cost rate of 4.2272%. Mr. Huxen seconded the motion, and with no objections, the motion was approved.

(3) Louisiana School Employees' Retirement System (LSERS)

Mr. Hall presented the actuarial valuation for LSERS in effect as of June 30, 2014. He summarized the changes outlined in the report including many legislative changes which had significant impact on funding, the correction of coding error for retirees, and privatization of specific liabilities.

The unfunded accrued liability went from \$911M down to \$806.6M which impacted the experience account as shown on page seven of the report. All the factors combined results in a projected employer contribution rate of 30.2% which is roughly 2.8% less than what was projected and being paid this year. Mr. Hall recommended the committee's adoption and approval of the valuation along with the projected employer contribution rate of 30.2% and the DROP rate of 13.13%.

Mr. Purpera restated the motion to approve the LSERS valuation report as of June 30, 2014, with a DROP rate of 13.13% and the employer contribution rate of 30.2%. Mr. Richmond said after a comprehensive review, he supports the adoption of this valuation report. Mr. Henson seconded the motion as stated. With no opposition, the motion was approved.

(4) Louisiana State Police Retirement System (LSPRS)

Mr. Hall presented the actuarial valuation for LSPRS in effect as of June 30, 2014. He said the number of retirees declined due to attrition, and pointed out this is a small retirement system. The number of active participants has been on a steady decline for the past five years which impacted the payroll thus impacting the amortization payment which affects the employer contribution rate. In 2014 there was a graduating academy of new troopers which helps to spread the unfunded liability over that payroll as well. Therefore, they expect to see a reduction in the employer contribution rate because of the influx of new troopers.

Mr. Hall explained the effects of recent legislation and other factors on the experience account. The excess interest earnings of 16.6% could not be allocated to the experience account, but had to be reallocated to offset the oldest amortization schedule. Act 399's requirements for the excess interest earnings was explained and outlined on page four and five of the report. The intended purpose was to lower the employer contribution rate by liquidating the amortization base.

Mr. Hall recommended the committee's adoption of the valuation along with the employer contribution rate of 60.8% for the 2015-2016 fiscal year, in addition to the \$1.5M allocation from the insurance premium tax fund and a DROP rate of 11.98%.

Mr. Richmond said based on his review of the valuation, he supports the adoption of the valuation. Mr. Henson seconded the motion by Mr. Hall. Mr. Purpera asked if any objection to the motion, and with none, the motion was approved.

Ms. Johnson made a clarifying comment and a correction regarding her previous comments about TRSL's valuation. She said the valuation report states correctly on page three the employer normal cost rate for the four plans and the aggregate rate is 4.2272%.

5. Discussion and approval of the Cooperative Endeavor Agreement authorized by Act 648 of the 2014 Regular Legislative Session

Ms. Maris LeBlanc, Deputy Director of LASERS, said Act 648 authored by Representative Pearson authorized a Cooperative Endeavor Agreement (CEA) between LASERS, the Port of New Orleans (Port) and the Harbor Police Retirement System to accomplish a merger of the Harbor Police Retirement

System into LASERS. The CEA is designed by each of the parties but must be approved by PRSAC in order to be implemented. Ms. LeBlanc presented the highlights of the CEA to the committee.

Ms. LeBlanc said the employer contribution rate for members of the Harbor Police Retirement System, during a limited period until the UAL is paid, will specifically exclude payments for the shared UAL for LASERS members that were incurred prior to July 1, 2015. This UAL will not be absorbed by the system, rather all the other employers in the plan will pay that shared cost. It was agreed that for this small group of people, while the Port was paying the UAL specific to that system it would unfair to also have them pay the shared UAL for the existing plan. The CEA was drafted to protect the rights of members in the system, to guarantee full payment to LASERS of the UAL for that system, and to be fair to the Port in terms of how the payments of the UAL and employer contribution rates were determined.

Mr. Pat Gallwey, Chief Operating Office for the Port of New Orleans, thanked LASERS for all their cooperation in this effort. He thanked Representative Pearson for his assistance with the legislation because the Port believes this is the best long term move for the system.

Mr. Richmond said he reviewed the CEA and concluded that LASERS will be as funded as it should be or better funded as a result of this transaction.

Representative Pearson moved to approve the CEA. Mr. Hall seconded the motion, and with no objection, the motion was approved.

6. Other Business

No other business was discussed.

7. Adjournment

Mr. Huxen moved to adjourn, and Representative Pearson seconded the motion. With no objection, the meeting was adjourned at 3:25 p.m.

Approved by PRSAC: _____ **February 3, 2015**
Date