

# **PUBLIC RETIREMENT SYSTEMS' ACTUARIAL COMMITTEE**

**Tuesday, February 22, 2011  
9:00 a.m. to 12:00 noon  
House Committee Room 3  
State Capitol  
Baton Rouge, Louisiana**

## **MINUTES**

1. Call to Order

Chairman Steven Procopio called the meeting to order at 9:12 a.m.

2. Roll Call

Because there was not yet a quorum, Dr. Procopio stated that the roll call would be taken at a later time in the meeting.

3. Approval of Minutes

Because there was not yet a quorum, Dr. Procopio stated that the minutes would be approved at a later time in the meeting.

4. Discussion and approval of the 6/30/2010 actuarial report, contributions, and applicable Insurance Premium Tax Fund (IPTF) allocations for the following state retirement systems – Louisiana State Employees' Retirement System (LASERS), Teachers' Retirement System of Louisiana (TRSL), Louisiana School Employees' Retirement System (LSERS), and Louisiana State Police Retirement System (LSPRS):

- Louisiana State Employees Retirement System (LASERS)

Ms. Shelley Johnson of SJ Actuarial Associates presented the actuarial report for the system. She also pointed out the designation of "average rate" from page seven of the valuation, explaining that Act 1026 of the 2010 legislative session requires that separate contribution rates be calculated as specific to each of the different groups, and thus an average rate is calculated.

Noting that there was then a quorum, Dr. Procopio asked for a roll call.

Members Present: Dr. Procopio for Commissioner Rainwater, Mr. Henson for Treasurer Kennedy, Rep. Pearson for Speaker Tucker, Sen. Gautreaux for President Chaisson, Mr. Curran, Mr. Hall, and Mr. Purpera.

Also Present: Sue Israel, Laura Gail Sullivan, Matt Tessier, Paul Richmond, and Shelly Johnson.

Rep. Pearson asked Ms. Johnson if there was revenue sharing within the groups. She explained that the actuarial cost methods are different and no other source of funds goes into this.

Mr. Purpera asked Ms. Johnson to explain the discount rate for the system.

Ms. Johnson explained that the anticipated rate of return on investments is set at 8.25% for both LASERS and TRSL. Back in the early 1990s, it was set around 7.5%. The State Treasurer's Office later initiated a study of this rate in hopes of increasing it and lowering the employer contribution rate. Both systems were told they could expect a long-term return of 8.25%, which they had been getting, but was thought to be a little high. However, there was no evidence to recommend lowering that rate.

Mr. Purpera said his office is initiating a study that the board will be looking at long-term in the future. He commended the retirement systems that will be participating in this study and pointed out the importance it.

Dr. Procopio asked for a motion to adopt the valuation report, setting the minimum recommended required employer contribution rate at 25.9%, the employer normal cost at 6.9839%, and to approve the report for the system.

Ms. Johnson stated that she thought it important to clarify that the employer contribution rate is going to vary by plan; that no one is actually going to be paying the average rate. Dr. Procopio stated that they were actually adopting the report and that they were just spelling out the summary of it. Ms. Johnson said she just wanted to make sure that point was clear.

As the Legislative Auditor's actuary had not reported yet, Dr. Procopio asked for comments from him on the LASERS report.

Mr. Paul Richmond, Actuarial Services Manager for the Louisiana Legislative Auditor, stated that his office had prepared an independent valuation for LASERS using the same assumptions and methods and achieved similar results, thus confirming the validity the calculations in Ms. Johnson's report. He stated that he is concerned about the 8.25% expected rate of return, but agreed that there is no significant evidence to change that as yet. The upcoming study on this will determine the validity and should be completed by the end of the fiscal year.

Rep. Pearson noted the legislators group represented in the system report and asked how many legislators were actually still members of the system. Ms. Cindy Rougeau, director of LASERS, stated that while there are a small number of legislators who are still members of the

system (21), legislators are no longer allowed to enter the system, a provision that began in 1997. Ms. Johnson added that detailed information could be found on page 21 of the LASERS report.

Mr. Hall made a motion that the committee adopt the actuarial valuation as presented by Ms. Johnson for the Louisiana State Employees Retirement System and the employer contribution rates contained therein. The motion was seconded by Rep. Pearson.

Dr. Procopio called for a vote on the motion. There were no objections, and the motion passed unanimously.

- **Teachers' Retirement System of Louisiana (TRSL)**

Ms. Johnson presented the actuarial report for the system. While there was a market return value of 12.5%, the system experienced an actual loss of -.89%. Because the attorney general had ruled that there could be no negative return on DROP, the interest rate was left at zero. Per Act 497, funds were moved to a sub-account and were being used to reduce the UAL.

Mr. Richmond said there will be continued pressure on employer contribution rates and noted that payroll dollars had not grown significantly. With a decrease in payroll, the system can expect to see significant increases in the contribution rate over the next five to six years.

Ms. Johnson agreed with Mr. Richmond's comments based on the current economic times. She added that Act 497 passed in 2009 allowed for the re-amortization of the UAL schedule with the impact of scheduled payments increasing through about 2018. They can use sub-accounts to help pay this, which will help beyond 2018.

Mr. Richmond stated that his office had performed a valuation that produced similar results to those produced by the system actuary.

Rep. Pearson asked Ms. Johnson if it is likely the system will see employer contribution rates up to 34-35% over the next five years. Ms. Johnson stated that they had not done an analysis on that yet, and they had only rolled in approximately 50% of the 08-09 losses, so the system should expect an increase. She added they are hopeful that, based on returns, there will be some offset, but there are too many factors to produce a range of increase at this time. Rep. Pearson asked for an estimated percentage, which Ms. Johnson was not comfortable giving because a lot would depend on investment returns. Mr. Richmond stated that rates will rise, based on last year's study, eventually to be in the 35-36% range if all assumptions were realized.

Rep. Pearson asked if legislation passed last year, which included delayed retirement provisions, had been used in calculations of Mr. Richmond's projections, which he said they had not.

With no other questions presented, Dr. Procopio asked for a motion to set the FY 11/12 minimum recommended employer contribution rate at 23.7%, the employer normal cost rate at 5.9687%, and to approve the report for the system. The motion was made by Mr. Hall and seconded by Sen. Gautreaux.

Dr. Procopio called for a vote on the motion. There were no objections, and the motion passed unanimously.

Before moving on to the next state system report, Dr. Procopio called for a motion to approve the minutes from the meeting of September 16, 2010. Rep. Pearson made the motion, which was seconded by Mr. Purpera.

- **Louisiana School Employees' Retirement System (LSERS)**

Mr. Charles Hall of Hall Actuarial Associates presented the report to the committee. Based on the questions the panel had asked of Shelley Johnson, Mr. Hall pointed out that LSERS also had losses that will be smoothed in, and they should also expect to see increasing employer contribution rates in the future. He added that, when you suffer a 40% loss in investments, a 14% rate of return on 60% of value still leaves you short of where you started. Obviously, they do expect future increases for LSERS. They have been working with the Legislative Auditor's actuary to resolve some relatively minor issues.

Mr. Purpera said the law that sets the mix of contribution rates between employers and employees is subject to interpretation, and he has requested an attorney general's opinion that may change the mix.

Mr. Richmond stated that his office had performed a valuation based on assumptions and methods used by the system actuary. His valuation produced results that were not as close with this system as they had been with LASERS and TRSL. However, in the aggregate, they were only 1% off, so he was willing to accept the system actuary's calculations.

Rep. Pearson asked about this system showing a decline in valuation of assets when other systems were showing an increase, and during a time that he would have expected an increase. Mr. Hall explained that smoothing was part of the reason for the loss, and the loss from the first to the second year depends on the method of smoothing. Mr. Richmond added that a lot depends on cash flow, timing of payments, etc., and the actual rate of return looks similar to TRSL and LASERS.

With no further questions, Dr. Procopio asked for a motion to set the FY 11/12 minimum recommended employer contribution rate at 28.6% and to approve the report for the system. Mr. Hall made the motion, which was seconded by Sen. Gautreaux.

Dr. Procopio called for a vote on the motion. There were no objections, and the motion passed unanimously.

- **Louisiana State Police Retirement System (LSERS)**

Mr. Hall presented the actuarial report for the system.

Mr. Richmond stated that his office had performed a valuation that closely matched the results of the system actuary.

With no questions from the panel, Dr. Procopio asked for a motion setting the FY 11/12 minimum recommended employer contribution rate at 55.9%, with the insurance premium tax allocation of \$1,500,000, and to approve the report for the system. Mr. Purpera made the motion, which was seconded by Mr. Hall.

Dr. Procopio called for a vote on the motion. There were no objections, and the motion passed.

5. Discussion and approval of the 6/30/2010 actuarial report, contributions, and tax sharing allocations for the following statewide systems – **Clerks of Court Retirement and Relief Fund, District Attorneys' Retirement System, Municipal Employees' Retirement System (Plans A and B), and Registrars of Voters Employees Retirement System:**

- **Clerks of Court Retirement and Relief Fund (CCRFF)**

Mr. Gary Curran of G.S. Curran & Company, Ltd., presented the actuarial report for the system.

Mr. Richmond stated that his office had not performed valuations for this or any of the other statewide systems because they had been focused on the state systems. However, they did perform a thorough review of the report and found it to be complete with reasonable results.

Dr. Procopio mentioned that Mr. Curran had emphasized the word “minimum,” and asked if this system had a history of contributing above the minimum. Mr. Curran said yes.

With no questions from the panel, Dr. Procopio asked for a motion setting the FY 11/12 minimum recommended employer contribution rate at 17.00%, with full ad valorem and revenue sharing, and to approve the report for the system. Mr. Curran made the motion, which was seconded by Mr. Henson.

Dr. Procopio called for a vote on the motion. There were no objections, and the motion passed unanimously.

- **District Attorneys' Retirement System (DARS)**

Mr. Curran presented the actuarial report for the system.

Mr. Richmond stated that his office had not performed a valuation for this system, but they did perform a thorough review and he was comfortable with the results.

Dr. Procopio mentioned that this is the first of three systems also being looked at by the Funding Review Panel.

With no questions from the panel, Dr. Procopio asked for a motion setting the FY 11/12 minimum recommended employer contribution rate at 9.75%, with full ad valorem and revenue sharing, and to approve the report for the system. Mr. Purpera made the motion, which was seconded by Mr. Henson.

Dr. Procopio called for a vote on the motion. There were no objections, and the motion passed unanimously.

- **Municipal Employees' Retirement System, Plans A & B (MERS)**

Mr. Curran presented the actuarial report for the system. He added that it was quite proper to consider the rate mix at this time, and the study of the Legislative Auditor is timely.

Mr. Richmond stated that his office had performed a thorough review and found the results acceptable.

With no questions from the panel, Dr. Procopio asked for a motion setting the FY 11/12 minimum recommended employer contribution rate at 16.75% for Plan A and 8.00% for Plan B, with full ad valorem and revenue sharing, and to approve the report for the system. Mr. Curran made the motion, which was seconded by Rep. Pearson.

Dr. Procopio called for a vote on the motion. There were no objections, and the motion passed unanimously.

- **Registrar of Voters Employees' Retirement System (ROVERS)**

Mr. Curran presented the actuarial report for the system. Responding to questions by Dr. Procopio, Mr. Curran stated that this system has no actuarial unfunded liability and that experienced gains and losses are rolled into normal costs.

Mr. Richmond stated that his office had performed a thorough review and found the results acceptable.

With no questions from the panel, Dr. Procopio asked for a motion setting the FY 11/12 minimum recommended employer contribution rate at 15.50%, with full ad valorem and revenue sharing, and to approve the report for the system. Mr. Curran made the motion, which was seconded by Mr. Henson.

Dr. Procopio called for a vote on the motion. There were no objections, and the motion passed unanimously.

6. Discussion and approval of the 6/30/2010 actuarial report, contributions, tax sharing allocations, and applicable Insurance Premium Tax Fund (IPTF) allocations for the following statewide retirement systems – **Firefighters’ Retirement System, Municipal Police Employees’ Retirement System, and Sheriffs’ Pension and Relief Fund:**

- **Firefighters’ Retirement System (FRS)**

Mr. Curran presented the actuarial report for the system.

Mr. Richmond stated that his office had performed a thorough review and found the results acceptable.

With no questions from the panel, Dr. Procopio asked for a motion setting the FY 11/12 minimum recommended employer contribution rate at 25.25%, with the insurance premium tax allocation of \$21,624,265, and to approve the report for the system. Mr. Purpera made the motion, which was seconded by Mr. Curran.

Dr. Procopio called for a vote on the motion. There were no objections, and the motion passed unanimously.

- **Municipal Police Employees’ Retirement System (MPERS)**

Mr. Hall presented the actuarial report for the system. He stated that this system had a shortfall that is to be recognized over the next 15 years rather than 5. Over the next five years the system should expect to see an increase in the employer contribution rate.

Mr. Richmond stated that his office had performed a thorough review of the valuation. They discovered an in issue in the last couple of days that is relatively small but still needs to be worked out. Even so, he found the results acceptable.

Mr. Purpera mentioned the fact that assets are down and asked Mr. Hall to explain. Mr. Hall stated that the system had suffered the largest part of its loss three years ago, so this is a recognition of cash flow.

With no further questions from the panel, Dr. Procopio asked for a motion setting the FY 11/12 minimum recommended employer contribution rate at 28.0%, with the insurance premium tax allocation of \$15,430,686, and to approve the report for the system. Mr. Hall made the motion, which was seconded by Mr. Henson.

Dr. Procopio called for a vote on the motion. There were no objections, and the motion passed unanimously.

- **Sheriffs' Pension and Relief Fund (SPRF)**

Mr. Curran presented the actuarial report for the system.

Mr. Richmond stated that his office had performed a thorough review of the valuation and found the results acceptable.

Dr. Procopio asked for a motion setting the FY 11/12 minimum recommended employer contribution rate at 13.75% with the insurance premium tax allocation of \$15,430,686, and to approve the report for the system. Rep. Pearson made the motion, which was seconded by Mr. Curran.

Dr. Procopio called for a vote on the motion. There were no objections, and the motion passed unanimously.

7. **Other Business**

Dr. Procopio said that the PRSAC website had been developed and includes valuations for all systems in one place. As the site is launched, there will only be the latest reports, but they will go back and add prior year reports. Information on the website will be sent out with meeting minutes and the employer contribution table within the next couple of days.

8. **Adjournment**

With no other business to discuss before the committee, Dr. Procopio asked for a motion to adjourn. Mr. Henson made the motion, which was seconded by Rep. Pearson. The meeting was adjourned at 11:15 a.m.

***Approved by PRSAC:***

**June 28, 2011**

*Date*