LOUISIANA LEGISLATURE

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PUBLIC RETIREMENT SYSTEMS' ACTUARIAL COMMITTEE [PRSAC]

MINUTES

December 14, 2023

APPROVED

I. CALL TO ORDER

A meeting of the Public Retirement Systems' Actuarial Committee [PRSAC] was held December 14, 2023 in Committee Room E at the State Capitol in Baton Rouge, Louisiana. The chairman, Senator Edward J. Price called the meeting to order at 9:00 A.M.

II. ROLL CALL

The secretary called the roll and the following was noted:

MEMBERS PRESENT:

Senator Edward "Ed" Price
Rep. Bacala *for* Vice-Chairman DeVillier
Greg Curran
John Broussard
Michael J. Waguespack
Shelley Johnson
Rick McGimsey *for* Barbara Goodson

<u>LEGISLATIVE STAFF PRESENT</u>:
Michelle Johnson | Secretary
Alana Perrin | Attorney
Sylvia Copper | Digital Streamer
Mike Bell | Division Director
Kenneth Herbold | Louisiana Legislative Auditor | Director of Actuarial Services
Tony Christy | Senate Sergeant at Arms
John Rodgers | Senate Sergeant at Arms

III. APPROVAL OF MINUTES

Mr. Curran offered a motion, seconded by Mr. McGimsey, to respectively approve the minutes from August 17, 2022. **Without objection, the motion passed to approve said minutes**.
Mr. McGimsey offered a motion, seconded by Rep. Bacala, to respectively approve the minutes from August 22, 2023. **Without objection, the motion passed to approve said minutes**.

IV. DISCUSSIONS

<u>DISCUSSION AND APPROVAL OF THE 2022 ANNUAL ACTUARIAL VALUATIONS AND THE REQUIRED CONTRIBUTIONS AND DEDICATION OF REVENUE CONTAINED THEREIN FOR THE LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM [LSERS]:</u>

Mr. Curran, with Curran Actuarial Consulting [CAC], provided the following summary of the LSERS' Valuation:
An actuarial experience study was conducted prior to completing the valuation. Membership increased. Payroll increased from $320M to $346M for the year. With a rise in retired members and survivors, the cost of benefit payments increased. The accrued liability increased from $2.8B to $2.811B. In the 2023 Regular Session, Senate Bill18/Act 184 by Senator Ed Price provided for permanent cost-of-living adjustments (COLAs) funded directly or indirectly by employer contributions. SB18 altered the future of all COLAs for all four statewide retirement systems. Nominal funds remain in the experience account (EA) and will remain so under SB18 until LSERS achieves full funding; an extra 2.5% employer contribution rate is allocated to pay for future COLAs. The COLA account is currently not applicable. The smoothing method is utilized to determine the actuarial value of assets. In years with positive rates of return, the actuarial value of assets might be lower. Over the last five years, more fluctuations have occurred, leaving LSERS to smooth more losses than gains. $2.1B was used to determine the employers' contribution rate and audited financial number at a bit more than $2.2B. After smoothing, LSERS had a 7.44% market rate basis for the year; with smoothing, it ended at 7.16%. This rate of return is compared to the assumed rate in order to determine a gain or loss. There is a slight gain for due to the 6.8% rate of return. The employers' contribution starts with the normal cost of the employer. LSERS experienced an increase, contributing to a rise in payroll and benefits. The amortization cost on the unfunded accrued liability (UAL) decreased to $57.6M from $62M the previous year. Administrative expenses, which are divided by projected payroll, provide a percentage, using rounding and timing rules, totaled the minimum net directive employers' contribution rate. Before factoring for SB18, the rate decreased from 27.6% to 24.0%. The current collected rate is 27.6%. The rationale for presenting actual rates

rather than minimum rates become evident as LSERS pre-funds its permanent benefit increase (PBI) account. LSERS is permitted to collect 1.8% in FY2025 for the PBI pre-funded account, with a cap set at 2.5%. Upon reaching the cap, the EA disappears. As the costs decrease, there will be an allocation to the PBI account. A rate of 25.8% will begin January 1, 2024. Changes throughout the year are detailed in the valuation on Page 19, encompassing normal costs, UAL payments, new amortization, and a required contribution rate before rounding. A crucial finding in the Experience Study revealed that, when comparing the actual experience with assumptions, most scenarios erred on the conservative side, resulting in savings for LSERS. The asset experience showed a slight gain of 0.18%, designated to the priority allocation, thus offsetting the oldest amortization base. Conversely, the liability experience for the year was marginally negative, resulting in a slight increase in costs at 0.68%. While not consistent for all plans, this decline has been commonly observed due to salary increases. Gains and losses in contributions depend on timing. With a modification to actuarial standards, a new measurement termed the low default risk obligation measure [LDROM] was introduced in this valuation. LSERS is reassessed based on an interest or discount rate representative of a plan invested in LDROM. This standard offers flexibility in how actuaries model LDROM. Curran Consulting opted to utilize a high-quality market corporate bond yield curve. If plans were to invest entirely in LDROMs, the high-quality corporate bond would naturally be a suitable investment. Weighing this with cash flow, a rate of 5.21% is determined. Deviating from this valuation to 6.8% would result in an increased accrued liability and a decreased funded ratio. Considering LSERS's risk/return framework, assuming risks above 5.21%, and including some default risk, the result is a plan that does not solely allocate investments to LDROMs. This strategy benefits employer savings over time. The specific investment chosen does matter. The EA account is nearly depleted due to the recent payment of a COLA.

Mr. Curran, with CAC, provided the following summary of the LSERS' Experience Study:
A multitude of assumptions underpin actuarial work, making the derived answers highly reliant on these assumptions. Establishing a reasonable set of assumptions does not solely rely on the most recent experience. Most actuaries utilize a five-year look-back period for experience studies, although this time frame has adjusted to as much as ten years, particularly during events like the Covid-19 pandemic, which had distinct impacts on investment markets and employment dynamics. The pandemic disrupted plan withdrawals, retirements, and mortality rates, highlighting the importance of not extrapolating on this extraordinary experience into future plan projections. Such extrapolation may result in periods of savings, while others may yield negative outcomes. Utilizing caution, the Society of Actuaries conducted and published mortality improvement scales during the initial year of the pandemic, acknowledging the unprecedented nature and health implications. Significant disruptions were observed in retirement and withdrawal patterns for certain plans, with emerging trends in salary increases driven by inflation, further complicating projections. Retirement rates, withdrawal rates, and salary adjustments exhibit significant cyclical patterns. Assuming a sudden return to a five-year timeframe can introduce high volatility into the assumptions. To mitigate this volatility, actuaries often employ smoothing methods. Examining withdrawals, for instance, involves analyzing a retrospective period, and evaluating assumed rates, rates of incidents dependent on configuration, and suggesting new rates. Actuaries typically choose to incorporate predictive elements for the future. Figures are provided to indicate the contrast between old and new rates.

The present value rate of assumptions, a raw rate (representing the period's actual experience in percentage), and a proposed rate is disclosed. Actual rates are expected to exhibit greater volatility compared to proposed rates. Significant effort is invested in formulating each assumption. Similar to other plans, the legislature has made numerous modifications to the benefit structure of LSERS. There are significant changes in eligibility rules for Tier I and Tier II compared to Tiers III and Tier IV. The new tiers offering options such as 5 years at age 60 or 5 years at age 62, eliminates the 25 years at age 55 type rules. Consequently, studying tiers with limited to no historical data is even more challenging; no members have accrued enough time in the tier to retire from it. A member retiring under a 5-Year/Age 60 Rule will receive the same percentage benefit in the new tier as another member who requires 20 or 30 years of service. This area requires a high level of professional judgment, and considerable time is devoted to studying tier dynamics. For the first time, assumptions for Tier III and Tier IV were adjusted based on projected service. Members with less than 10 years of service are assumed to have lower retirement rates, while those with 10 to 20 years of service are assumed to have higher rates.

Rep. Bacala stated that upon discovering details of the Federal Windfall Elimination Provision (WEP), a bus driver opted to postpone his retirement. This provision, which reduces Social Security benefits for individuals receiving pensions from non-Social Security-covered employment, primarily impacts those, who have worked in positions where Social Security taxes were not paid. The WEP modifies the Social Security benefit calculation to accommodate the non-covered pension, leading to a reduced Social Security benefit compared to what would otherwise be received. If Congress were to abolish the WEP penalty, would this lead to an increase in the number of individuals choosing early retirement?
Mr. Curran answered that the potential incorporation of the WEP penalty has not been considered. If retirement patterns shift as a result of the WEP removal, it would gradually influence valuations, and reflect changes in data. Present indicators suggest there is minimal expectation for Congress to abolish the WEP. Many reasons prompt members to retire, and most remain unknown, although retirement rates often correlate with age. In the case of new tiers, a transition to a service-and-age-based model has been implemented, as the service in these tiers significantly impacts a member's desired benefit level. Historically, age has been a determining factor for members in tiers with 25 or more years of service. Eliminating the WEP could eventually affect costs. For the current year, no adjustments were made to the assumed rate of return, as capital market assumptions from investment firms have raised expectations following substantial losses in 2022. Some systems experienced returns within or below the reasonable range. Barring significant developments, the assumed rates of return for clients of Curran Actuarial Consulting remain favorable for several years.

Mr. Herbold, with the office of the Louisiana Legislative Auditor [LLA], provided the following summary of the LSERS' Review:
The primary reason for reviewing the experience study and not producing a separate report is because the study is where the assumptions driving the valuation figures are developed, and it is conducted every five years. Another reason is that comments from the actual valuation would have mirrored those of the experience study. LLA scrutinizes methodology and resulting assumptions, ensuring

compliance with actuarial standards of practice and appropriateness while considering professional judgment. There were no significant issues identified with the LSERS study. One note of concern was raised regarding assumptions deduced from the pandemic. A few other assumptions lacked explicit statements on how the pandemic affected the experience or how selection was made to address its impact. While the LLA would have preferred more discussion, no issues were found regarding completions. Similar reviews are conducted concerning long-term assumed rates of return related to economic assumptions. A new item introduced was the smoothing of capital market assumptions. As a benchmark and specific number are generated instead of a range, certain experiences may receive diminished significance in terms of future expectations. By utilizing the three most recent years of capital market assumptions, a smooth benchmark was established, taking into account recent market volatility, with figures based on the end of 2022 and beginning of 2023. In response to the decrease in capital market assumptions, an estimated benchmark was created to demonstrate the unusual nature to the end of 2022, using figures observed in the middle of 2023. This smoothed benchmark serves to illustrate trends over time and enables comparison of assumed and discount rates of returns utilized by the systems.

Chairman Price referenced source data points in the LLA review and questioned whether future data will be more specific.
Mr. Herbold answered there is a large list of economic and inflation assumptions. Actuaries are not attempting to determine what inflation will look like, so outside experts are asked to identify a reasonable number. In general, the more data points the more credible data points can be incorporated, and better the underlying estimate and understanding. Regarding inflation, LLA suggested to incorporation of additional experts into the analysis. LLA does not believe with the inflation assumption was unreasonable. It could be even more helpful to add a few more data points.

Mr. Herbold continued with the summary of the LSERS' Review:
A second item used in this review is the time horizon of capital market assumptions, an ongoing discussion between the LLA and the systems for several years. This refers to the duration of the actual retirement system, with a significant portion of benefits projected to be paid out within 10-12 years, with a maximum of 15 years. While there is a general argument for considering this time frame, practical considerations arise due to the inflow of new monies into the retirement systems, necessitating current asset movements into longer-term investments. This is why most actuaries rely on long-term capital market assumptions; however, this methodology assumes that all assets will be invested for the long term, which may not be feasible in current circumstances. The four statewide retirement plans are currently in a negative non-investment cash flow position, where benefit payments exceed expected contributions over time. Consequently, some funds will need to be utilized to cover benefits rather than being invested, and systems cannot rely on these funds to remain invested for 30 years. Criticism arises regarding how the general actuarial community addresses this issue, as it ignores aspects of how plans operate and reality. Considering the current yield curve design, expectations for returns over the next 10 years are lower than those over the next 30 years.

Mr. Curran offered a motion, seconded by Ms. Johnson, to approve the annual actuarial valuation for the Louisiana School Employees' Retirement System (LSERS). This includes the minimum directed employer contribution rate of 24%, recognizing the total recommended contribution rate, inclusive of the PBI funding account rate of 1.8% would be 25.8%. The employer will pay 25.8% beginning July 1, 2024 for FY 2025. **Without objection, the motion was approved.**

DISCUSSION AND APPROVAL OF THE 2022 ANNUAL ACTUARIAL VALUATIONS AND THE REQUIRED CONTRIBUTIONS AND DEDICATION OF REVENUE CONTAINED THEREIN FOR THE LOUISIANA STATE POLICE RETIREMENT SYSTEM [LSPRS]

Mr. Curran, with CAC, provided the following summary of the LSPRS' Valuation:
LSPRS continued to witness a decline in troopers, currently numbering 903, down from a peak membership of just over 1,300. This has significant implications. As payroll decreases, fixed costs such as UAL payments become a larger percentage of payroll. Fortunately, the plan's payroll remained steady at $72.9M. However, benefits and payments have increased as troopers retire, leading to an increase in accrued liability from $1.3B to $1.4B. The UAL increased to $338M. The actuarial value of assets exceeded the market value of assets, while the funded ratio slightly decreased to 76.42% due to assumption changes. The market rate of return is 7.45%, while the actuarially smooth rate is 5.12%. The employer contribution rate for normal employer cost increased from $15.1M to $16.5M. Additionally, the amortization cost for the UAL has increased from $33.5M to $40M. LSPRS receives a small amount from insurance premium taxes, which remains a level dollar amount but becomes less helpful as payroll increases. With payroll remaining elevated due to a new pay scale, there are both additional costs in the long run and short-term assistance. Under SB18, LSPRS will not initiate a PBI funding account measure for the year 2025, instead deferring it until costs are reduced. The minimum recommended rate increased by 0.2%. Assumption changes in the experience study increased normal costs by 2.33%, with salary growth factored in at 2.48%. UAL payments decreased to 46.5% due to the division of a larger payroll. However, the new assumptions resulted in a loss of 0.97%. The plan's experience, mainly driven by salaries, led to a loss and increased costs by 2.65%, while asset experience has been below expectations, resulting in a decrease of 2.23%.

Mr. Curran, with CAC, provided the following summary of the LSPRS' Experience Study:
There have been notable changes to LSPRS, specifically concerning the administration of backdrop options. When considering a one, two, or three-year backdrop option versus regular retirement, members will decide based on their best interest. The old approach involved reviewing data to determine the percentage of members likely to select a one, two, or three-year option. Legislation has passed that affected leave conversion, allowing leave at the time of retirement to increase benefits or allowing the member to opt for a lump sum payment. Pay plan revisions have aligned with a decrease in troopers opting to retire and leading to larger leave balances. As a result, adjustments have been proposed to better match expectations, while assumptions remain unchanged to mitigate volatility and maintain reasonableness. Specific to LSPRS, survivor benefits are contingent on the member's marital status at the time of death. Despite national trends indicating a decline in marriage rates, minor adjustments were implemented, resulting in cost savings for LSPRS.

Mr. Herbold, with LLA, provided the following summary LSPRS' Review:
The majority of suggestions and findings for LSERS also apply to LSPRS. LLA encountered essentially the same issues, with a preference for additional disclosure regarding the pandemic's impact on certain assumptions. Recommendations were also similar.

Mr. Curran offered a motion, seconded by Mr. Broussard, to approve the annual actuarial valuation for the Louisiana State Police Retirement System (LSPRS) which includes the recommended minimum employer contribution rate for FY2025 of 70.6%. **Without objection, the motion was approved.**

<u>DISCUSSION AND APPROVAL OF THE 2022 ANNUAL ACTUARIAL VALUATIONS AND THE REQUIRED CONTRIBUTIONS AND DEDICATION OF REVENUE CONTAINED THEREIN FOR THE LOUISIANA STATE EMPLOYEES RETIREMENT SYSTEM [LASERS]</u>

Ms. Johnson, with Foster and Foster Actuaries and Consultants [FFAC], provided the following summary of the LASERS' Valuation:
Numerous factors influenced this valuation, including a notable increase in payroll, which led to an experience gain. Additionally, a legislative appropriation was received, contributing to cost reduction. LASERS will reamortize the IUAL in the next valuation. Due to the determination of the projected contribution rate, contributions have decreased. The changes introduced by SB18/Act184 during the Regular Session of 2023 resulted in some decreases. There was a modest 2.8% increase in retirees, coupled with a substantial 9% rise in total payroll. DROP participants decreased, a trend observed nearly every year. Terminated vested membership slightly increased, reaching almost 4,000 members. Annual benefits rose by 1.7%, with no COLA paid. The market value of assets increased by $1.3B, now totaling $14.5B, while the actuarial value of assets remained the same at $14.5B. There was a slight increase in the EA, from $23M to $24.5M, due to interest earned. The market yield stood at 10.63%, based on total plan assets. Total normal cost rose from $225M to $243M, attributing to the payroll increase. The UAL decreased slightly from $6.974B to $6.68B. Investment experience incurred a loss, with the actuarial return at 6.07%, compared to the expected return of 6.25%. The employer contribution surplus exceeded actuarial requirements, totaling $65.2M, resulting in a decrease in liability. The legislative appropriation, largely from Act 397 of 2003, amounted to $26.8M as a receivable for excess mineral revenues. Additionally, a small amount came from liter fines totaling $5,824. The employer's normal cost rate decreased by 0.1%, primarily due to the addition of new members into newer and less expensive plans. With payroll exceeding expectations, the percentage of payroll required to make the UAL payment decreased, resulting in a 3.06% reduction in the contribution rate. However, the UAL payment was impacted by the investment experience loss relative to the discount rate of 7.25%, leading to a 0.56% increase in employer contribution. Additionally, there was a change in contribution variance payment resulting in a 0.2% decrease. The IUAL must be constitutionally paid off by 2029 and any legislative appropriations or excess investment earnings received must be applied to the IUAL without reamortizing the schedules. Furthermore, changes in COLA funding requires that when a reduction in the contribution rate occurs, half of that reduction would be paid by the employer and placed into the new PBI account. However, additional legislation was passed in 2023 that limited the amount

paid by the employer. All reductions will be counteracted by a 1.5% increase in the employer contribution rate, with these additional funds allocated directly to the new PBI account for future COLAs. Once the IUAL is paid off, EA funds will transfer into the PBI account, establishing it as the sole mechanism for COLA funding. Altogether, this results in an employer contribution rate of -6.51%. It's worth noting that without the discount rate from the prior year and the actuarial method changes, the discount rate would have been $4.65B. While LASERS has made significant strides in paying off the IUAL, these efforts have been offset by other changes that will ultimately benefit the system in the future. Due to the overall increase in payroll, the employee contribution is growing. The average employee contribution rate is 8.12%. Rank and file members who entered the plan before 2006 were paying a rate of 7.5%, while those who joined after 2006 are paying 8%. The required contribution for FY2024 has been recalculated totaling $882M, up from $848.9M. Consequently, the projected employer contribution is decreasing from $848.9M to $779M, resulting in a reduction in the rate from 41.9% to 35.42%. The aggregate contribution rate now stands at 35.42%. With an experience loss of $279.6M, salaries accounted for the largest portion at $296M. Anticipating an increase in the UAL due to insufficient payments to cover the interest, the plan has now surpassed that point, resulting in an annual decrease in the UAL until it is fully paid off. The total accrued liability in the valuation is $21.2B compared to the low-default risk obligation measure of $29.1B.

Chairman Price stated the constitutional amendment raised the allocation from 10% of the surplus to 25%, a change expected to have a notable impact.

Mr. Herbold, with LLA, provided the following summary LASERS' Review:
Louisiana is unique with the practice of having a second actuary to review valuations annually, a practice uncommon elsewhere. Typically, outside of Louisiana, retirement systems undergo a review once every five years, where an external actuary is hired to conduct an actuarial audit. Recent amendments to the Actuarial Standard of Practice No. 4 (ASOP 4), titled "Measuring Pension Obligations and Determining Pension Plan Costs or Contributions," was the first to be effective for Louisiana retirement systems. The LLA examined the valuation for LASERS to ensure all required disclosures were included. Assumptions and methods remained unchanged from 2022 to 2023, leading to consistent conclusions and recommendations from actuarial reviews. ASOP4 provides significant guidance on disclosures, with individual ASOPs tailored to actuarial disclosures. Using this framework, the LLA identifies material violations, none of which were found in this case. While there were three immaterial violations, none had significant impact on decision-making. Recommendations were proposed to enhance clarity and improve stakeholder understanding, including suggestions for planned participants or new legislators. SB18 necessitates a considerable adjustment to account for how COLAs are paid, requiring specific commentary that was not provided. ASOP4 also introduced a "reasonable actuarially determined contribution (RADC)," mandating disclosure whenever a funding valuation is conducted, which was not included. Additional recommendations for clarity were also suggested.

Ms. Johnson affirmed that the objective of all valuations is to maintain clarity and remain in compliance with ASOP. Diligent efforts are undertaken to achieve and maintain this objective. The ASOP board has updated the standards of practice to mandate increased disclosure. Because of this, there is one specific item we will scrutinize to ascertain if the correct interpretation has been applied and before added disclosure is added to the valuation.

Ms. Johnson offered a motion, seconded by Mr. Curran, to approve the annual actuarial valuation for the Louisiana State Employees Retirement System (LASERS). This includes the discount rate and the minimum directed employer contribution rate contained therein. **Without objection, the motion was approved.**

DISCUSSION AND APPROVAL OF THE 2022 ANNUAL ACTUARIAL VALUATIONS AND THE REQUIRED CONTRIBUTIONS AND DEDICATION OF REVENUE CONTAINED THEREIN FOR THE TEACHERS' RETIREMENT SYSTEM OF LOUISIANA [TRSL]

Ms. Johnson, with FFAC, provided the following summary of the TRSLs' Valuation:
Most information pertaining to LASERS also applies to TRSL. However, TRSL did not receive any legislative appropriations. Additionally and as a result of the experience study, the TRSL board adopted a new set of assumptions, which affected this valuation. The COLA rate, reamortization, and the impact from the increase in payroll remain unchanged. Membership increased from 82,600 to 83,525, with active members showing an increase. The number of DROP members decreased by approximately 3% to 2,109. TRSL does not invest in self-directed accounts; instead, DROP funds are invested in money market accounts. Terminated vested members saw a notable increase to 9,836. Since no COLA was paid this year, the increased benefits were a result of attrition and newer retirees with higher benefits. Total payroll increased by 8.2%, with K-12 seeing a 7.7% increase and higher education experiencing a larger impact on the total aggregate at 10.7%. The market value of assets rose from $25B to $26.1B. On an actuarial valuation basis, after smoothing and deducting side fund accounts, there was an increase from $25.5B to $26.65B. In terms of percentage yields, the market value increased by 6.58%. The net of the LADROP market value assets increased to 6.61%, compared to a discounted rate of 6.25%, resulting in this plan experiencing a slight investment experience loss relative to the discount rate. Older DROP accounts, those eligible before July 2004, will be credited at 6.29%, which is half a percent less than the actuarial rate of return. The EA increased from $79.4M to $84.8M as a result of interest earned. The total normal cost increased from $518M to $570M, largely due to the increase in payroll. As a percentage, there was a slight increase from 3.44% to 3.62% for the employer. The total normal cost increased from 11.42% to 11.6%, due to assumption changes. The reconciliation of the UAL increased from $9.9B to $8.5B. The interest on the UAL reduced from $660M due to the employer amortization payment received, which was close to $1.1B; the net decreased amount is $450M.As the system draws closer to the payoff date, the balance becomes more pronounced, effectively reducing the principal by $450M. This is significant and is anticipated in larger amounts going forward. TRSL received some legislative act income totaling close to $107.66M. TRSL received more employer contribution than needed. Because the employer contribution is a set percentage and payroll was more than expected, more will be received which will provide a contribution surplus for next year. The investment

experience loss amounted to $116M. Another experience loss, due to increased payroll expectations, totaled $352M, and is amortized over 20 years. As a result of assumption changes stemming from the experience study, there is an expected decrease in the UAL was projected at $330M, the actual decrease amounted to $368M, resulting in a total decrease to the UAL of $582M. The remaining unfunded liability is $8.5M. The funded ratio increased from 73.7% to 75.58%. With no change to the discount rate, the 7.25% remains applicable to both the valuation and the projected contribution rate for fiscal year ending in 2025. The increase in employee contributions on a dollar basis is primarily attributed to the rise in payroll. In the previous valuation, the calculation projected an employer rate of 24.0% for the fiscal year ending in 2024, reflecting what employers are currently paying in aggregate. However, for this valuation, recalculating the rate yields 23.1%, indicating an expected contribution surplus again next year. The projected required employer contribution is decreasing from $1.233B to $1.474B, resulting in a reduction in percentage of payroll from 24% to 21.4%. Normal cost is anticipated to decrease by 0.08% as newer members join, but this reduction was counteracted by the impact of assumption changes to normal cost, resulting in a net increase of 0.18% in the normal cost rate. The investment experience loss led to a contribution increase of 0.19%. The other experience loss, specifically the impact on the UAL payment, increased by 0.58%. The combined reduction due to payroll amounts to about 1%. The assumption change resulting from the experience study decreased the employer contribution by 0.61%. There was no change in contribution variance payment this year. The overall impact on the UAL payment totaled to -2.82%, representing a minimal change related to administrative expenses. TRSL experienced a similar increase of 1.5%, which would have been higher if not for a law limiting the increase due to contributions to the COLA account. The net decrease of 2.57% compares to the actual contribution rate change of -2.60% . The overall employer contribution rate stood at 21.4%. For regular teachers in lunch plans, it amounted to 21.51%, while for higher education it was 20.88%. This development is highly encouraging for TRSL, considering the transition to direct contributions for funding COLAs while still achieving a significant decrease in the employer contribution rate. This bodes well for TRSL and LASERS. The experience loss due to decrements in active membership totaled $23M, while the increase in active member salaries were beyond expectations leading to a loss of $382M. Inactive mortality performed as anticipated, resulting in a gain of $18.8M. Administrative expenses remained within expectations with no significant impact. All other aspects yielded gains of $35.3M. Anticipated future reductions in UAL balances, similar to LASERS, suggest that TRSL expects the UAL to continue decreasing, subject to fluctuations from future gains and losses. This expectation is based on projected UAL schedules, with most figures expected to remain stable through the year 2028. As the IUAL is paid off, further decreases are anticipated until the EA amortization base is settled at an earlier time frame, leading to yet another decrease. The total accrued liability amounts to $35.2B. The LDROM does not impact the funding status of TRSL in any manner; it simply discloses what the funding status would be if the plan did not assume additional investment risks. TRSL has reduced the discount rate from 8.25% to 7.25% and modified the actuarial cost method, resulting in an increase in the UAL by $3.6B. Of this, $3.3B remains due to payments made on the liability. Without these changes, the UAL would stand at 83.6%.

Ms. Johnson, with FFAC, provided the following summary of the TRSLs' Experience Study:
The plan's experience is assessed across all assumptions, with the most notable to effect is mortality. Changes implemented in this area resulted in a decrease in the accrued liability by $295M, making it the largest contributor to the reduction. The anticipated decrease was $331M, but the actual outcome amounted to $360M. While the pandemic's impact was considered, no specific adjustments were made, as the actual experience across all assumptions revealed no significant effects. Any impacts observed were offset in subsequent years, and it was deemed that the average over the five-year period provided a reasonable basis for expectations. Although not explicitly stated in the experience study, this approach was applied.

Mr. Herbold, with LLA, provided the following summary of the TRSLs' Review:
LLA had similar comments on TRSL as mentioned for LASERS regarding investment return assumptions. The discount rate and the EA adjustment were not addressed because that law was passed after the experience study was completed. There was no mention of the impact of the pandemic on retirement withdrawals or mortality. Given the unusual circumstances during this study period, it could have had a significant impact. The absence of any mention did not allow for appropriate evaluation of the methods followed. This issue is more about disclosure versus the methods used or not used. Reports must be viewed as standalone items, and conversations outside of a report cannot be considered. Because there was no disclosure included, LLA must consider information from the perspective of individuals who have no prior knowledge or assumptions on the subject.

Ms. Johnson offered a motion, seconded by Mr. Curran, to approve the annual actuarial valuation for the Teachers Retirement System of Louisiana (TRSL), including the DROP rates and contribution rates contained therein. **Without objection, the motion was approved.**

V. CONSIDERATION OF ANY MATTERS THAT MAY COME BEFORE THE COMMITTEE

No other matters were presented.

VI. ADJOURNMENT

Ms. Johnson offered a motion to adjourn, seconded by Mr. Broussard. **Without objection, the motion was approved.** The PRSAC Committee meeting adjourned at 11:01 A.M.

Respectfully Submitted by Senator Edward Price | PRSAC CHAIRMAN EP

Date Approved **19 Feb 2024**