

PUBLIC RETIREMENT SYSTEMS' ACTUARIAL COMMITTEE

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Public Retirement Systems' Actuarial Committee

APPROVED
Minutes of Meeting
FEBRUARY 25, 2018

I. CALL TO ORDER

Senator Peacock, Chairman of the committee, called the meeting to order in Senate Committee Room A at the State Capitol in Baton Rouge, Louisiana, at 9:00 A.M. The secretary called the roll.

II. ROLL CALL

MEMBERS PRESENT

Senator Barrow Peacock, Designee for Senate President John Alario
Representative Kevin Pearson, Designee for House Speaker Taylor Barras
Mr. Daryl Purpera, Louisiana Legislative Auditor (LLA)
Rick McGimsey proxy for Ms. Barbara Goodson, Designee for Commissioner Jay Dardenne
Mr. John Broussard, Designee for Treasurer John Schroder
Mr. Gary S. Curran, Actuary
Ms. Shelley R. Johnson, Actuary

STAFF MEMBERS PRESENT

Margaret Corley, Senate Attorney
Kelsey Rome, Senate Secretary
Laura Gail Sullivan, Senate Counsel

WITNESSES PRESENT- INFORMATION ONLY

Ben Huxen, Municipal Police Employees' Retirement System

Warren Ponder, Municipal Employees' Retirement System

Steven Stockstill, Firefighters' Retirement System

James Rizzo, Louisiana Legislative Auditor's Office

III. APPROVAL OF MINUTES

John Broussard moved that the minutes of the January 9, 2019 meeting be approved. **There being no objection, the minutes were approved.**

IV. PUBLIC COMMENT

Chairman Peacock opened the meeting to public comments.

There were no public comments made.

V. DISCUSSION ITEM

(1) Louisiana State Employees' Retirement System Valuation Revised January 23, 2019

Ms. Johnson presented the revised valuation for the system and explained it in depth and why it was necessary to revise.

Ms. Johnson moved that the committee adopt the revised valuation for Louisiana State Employees' Retirement System as presented by Foster & Foster with the rates stated therein. Mr. Broussard seconded the motion. **There being no objection, the motion passed.**

(2) Firefighters' Retirement System

Mr. Curran presented the valuation for the system and explained it in depth.

There was debate to determine if the seven percent rate of return was attainable because of rates that were actually achieved in the past.

Mr. Curran explained that the current structure will help the system get to a more conservative posture. He further explained that there were many key investments in the past that did not perform properly and have been written off and should not play a part in future earnings. The asset allocation now is reflective of a more conservative posture and less emphasis on alternatives than the prior allocations were. To the extent now that most of the assets are deployed in a way that their current consultant believes would be possible to earn their estimated future rates of return.

Nicole Edminson, Assistant Legislative Auditor over state audit services for the Legislative Auditor's Office, introduced the new actuary for the Legislative Auditor's Office, Mr. Lowell Good.

She also introduced Jim Rizzo with Gabriel, Rotor, Smith and Company— who serve as staff for the Legislative Auditor and have also served in the role as actuary for the Legislative Auditor due to the retirement of Paul Richmond. She noted that Mr. Rizzo will be presenting the actuarial reviews today for the statewide systems.

Mr. Rizzo presented the Legislative Auditor's Actuarial Review of the 2018 Actuarial Valuation of the Firefighters' Retirement System and explained it in depth.

There were many questions asked regarding the 0.62 percent.

Ms. Johnson stated that she believes the questions being asked are what does the 0.62 represent? Is it a change in the assumed rate of return? Is it an impact to the contribution rate?

Ms. Johnson then commented that she believes this is the average annual increase that you would bake into the benefits so their expectation is that the expected annual benefit increase on average of their anticipated COLAs is 0.62% for the supplemental COLA. It represents a benefit increase, not a cost or a change in the discount rate. She asked Mr. Rizzo if that was correct.

Mr. Rizzo stated that was correct.

Representative Pearson asked Mr. Rizzo if he said that this was the only statewide system that operates with the gain sharing because the others have the funding deposit accounts.

Mr. Rizzo responded no, the other retirement systems have access to both methods for getting COLAs— with a gain sharing approach or a funding deposit account approach. Firefighters' Retirement System's statute says that they have a funding deposit account that has excess money in it and they can use it to pay down unfunded liability or contribution, but they cannot use it to pay a COLA.

Representative Pearson asked if the funding deposit account has been funded and/or used in the last year or couple of years.

Mr. Curran responded that this account is relatively recent for this system and the amounts that have gone in have been fairly nominal at this time. The Legislature determined that they did not want Firefighters to draw in those funds for COLAs. Currently, it is not a big issue because there are not a lot of funds going into the account, but in the future he believes it could become a problem if more funds were deposited into the account.

Mr. Curran responded to the LLA's summaries regarding the investment rate of return and the COLAs.

Chairman Peacock asked Mr. Stockstill if they expect any write offs in the coming year or any litigation that could trigger any write offs.

Steven Stockstill, executive director of Firefighters' Retirement System, explained that he sees no litigation that would have a material impact on the assets of the system on the horizon and all of the cases where they had major litigation have been resolved except for one that could possibly be appealed. He further explained that the money returned to them from litigation does not go back into their investment returns, it just comes back in the form of cash. He explained that the board has made a conscious decision to de-risk the portfolio.

Mr. Stockstill then introduced a written response to the Louisiana Legislative Auditor's Review into the record. He also explained that they fulfilled their commitment to invite the LLA and Legislative Actuary to attend their investment board meetings. He believes they have demonstrated a complete cooperation and interaction with the LLA and Legislative Actuary with this report. He stated that there are a number of firefighters in attendance today who would like to speak about the impact that it would have on the budgets if the LLA's review comments were adopted and if the assumption rate is made higher. He explained that the two actuaries have an internal difference of opinions on what the assumed rate of return should be. They found that Mr. Curran's methodology is entirely reasonable. The main difference is that their actuary is using a long-term approach which is favored by GASB. He then stated that the firefighters would request that the committee adopts the valuation as presented by the firefighters' actuary.

Representative Pearson commented that it is about making sure there is a benefit because there is no state guarantee.

Mr. Purpera commented that his concern is that if they do not go with the LLA's "most appropriate rate" of 5.9% then they are going to continue to fall behind over the long-term.

Mr. Curran moved that the actuarial funding valuation report for the Firefighters' Retirement System dated June 30, 2018, as presented by G. S. Curran & Company, Ltd., shall be adopted as the official valuation for the system, and that, as specified in the report, the minimum net direct recommended employer contribution rate for fiscal 2020 shall be set at 27.75%.

Ms. Johnson seconded the motion. Mr. Purpera objected. The roll was called with a result of 5 yeas and 1 nay. Representative Pearson, Rick McGimsey, John Broussard, Gary Curran, and Shelley Johnson voted yea. Daryl Purpera voted nay. **The motion passed.**

(3) Clerks of Court Retirement and Relief Fund

Mr. Curran presented the valuation for the system and explained it in depth.

Mr. Rizzo presented the Legislative Auditor's Actuarial Review of the 2018 Actuarial Valuation of the Clerks of Court Retirement and Relief Fund and explained it in depth.

Mr. Curran moved that the actuarial funding valuation report for the Clerks of Court Retirement and Relief Fund dated June 30, 2018, as presented by G. S. Curran & Company, Ltd., shall be adopted as the official valuation for the system, and that, as specified in the report, the minimum

net direct recommended employer contribution rate for fiscal 2020 shall be set at 18.75%, as well as to allocate to the system the full amount available for statutory revenue sharing and ad valorem taxes.

Mr. Broussard seconded the motion. **There being no objection, the motion passed.**

(4) District Attorneys' Retirement System

Mr. Curran presented the valuation for the system and explained it in depth.

Mr. Rizzo presented the Legislative Auditor's Actuarial Review of the 2018 Actuarial Valuation of the District Attorneys' Retirement System and explained it in depth.

Mr. Purpera commented that it is very encouraging that a system is reduced by a full half a percent in two short years.

Mr. Curran moved that the actuarial funding valuation report for the District Attorneys' Retirement System dated June 30, 2018, as presented by G. S. Curran & Company, Ltd., shall be adopted as the official valuation for the system, and that, as specified in the report, the minimum net direct recommended employer contribution rate for fiscal 2020 shall be set at 4%, as well as to allocate to the system the full amount available for statutory revenue sharing and ad valorem taxes.

Mr. Broussard seconded the motion. **There being no objection, the motion passed.**

(5) Municipal Employees' Retirement System of Louisiana

Mr. Curran presented the valuation for the system and explained it in depth.

Mr. Rizzo presented the Legislative Auditor's Actuarial Review of the 2018 Actuarial Valuation of the Municipal Employees' Retirement System of Louisiana and explained it in depth.

Chairman Peacock asked Mr. Ponder if they expect any write offs in the coming year or any litigation that could trigger any write offs.

Warren Ponder, director of Municipal Employees' Retirement System of Louisiana, responded that their investment consultants have gone very conservative. He believes they have completed all of their write-downs.

Mr. Curran moved that the actuarial funding valuation report for the Municipal Employees' Retirement System of Louisiana dated June 30, 2018, as presented by G.S. Curran & Company, Ltd., shall be adopted as the official valuation for the system, and that, as specified in the report, the minimum net direct recommended employer contribution rate for fiscal 2020 for Plan A shall be set at 27.75% and Plan B set at 13.75%, as well as to allocate to the system the full amount available for statutory revenue sharing and ad valorem taxes.

Mr. Broussard seconded the motion. Mr. Purpera objected. The roll was called with a result of 5 yeas and 1 nay. Representative Pearson, Rick McGimsey, John Broussard, Gary Curran, and Shelley Johnson voted yea. Daryl Purpera voted nay. **The motion passed.**

(6) Municipal Police Employees' Retirement System of Louisiana

Mr. Curran presented the valuation for the system and explained it in depth.

Chairman Peacock asked Mr. Huxen why the administrative costs have doubled.

Ben Huxen, executive director of Municipal Police Employees' Retirement System of Louisiana, responded that they are upgrading their pension administration system. They have been using the program since the late 80's and are moving to a more modern program. He believes it is a temporary increase that will fall off eventually.

Mr. Rizzo presented the Legislative Auditor's Actuarial Review of the 2018 Actuarial Valuation of the Municipal Police Employees' Retirement System of Louisiana and explained it in depth.

Mr. Curran moved that the actuarial funding valuation report for the Municipal Police Employees' Retirement System of Louisiana dated June 30, 2018, as presented by G. S. Curran & Company, Ltd., shall be adopted as the official valuation for the system, and that, as specified in the report, the minimum net direct recommended employer contribution rate for fiscal 2020 shall be set at 32.5% for both the hazardous and non-hazardous sub-plan and members whose earnings are less than the DHS poverty guidelines have their rate set 2.5% higher.

Mr. Broussard seconded the motion. **There being no objection, the motion passed.**

(7) Registrar of Voters Employees' Retirement System

Mr. Curran presented the valuation for the system and explained it in depth.

Mr. Rizzo presented the Legislative Auditor's Actuarial Review of the 2018 Actuarial Valuation of the Registrar of Voters Employees' Retirement System and explained it in depth.

Mr. Curran moved that the actuarial funding valuation report for the Registrar of Voters Employees' Retirement System dated June 30, 2018, as presented by G. S. Curran & Company, Ltd., shall be adopted as the official valuation for the system, and that, as specified in the report, the minimum net direct recommended employer contribution rate for fiscal 2020 shall be set at 17%, as well as to allocate to the system the full amount available for statutory revenue sharing and ad valorem taxes.

Mr. Broussard seconded the motion. **There being no objection, the motion passed.**

(8) Sheriffs' Pension and Relief Fund

Mr. Curran presented the valuation for the system and explained it in depth.

Mr. Rizzo presented the Legislative Auditor's Actuarial Review of the 2018 Actuarial Valuation of the Sheriffs' Pension and Relief Fund and explained it in depth.

Chairman Peacock entered into the record the response to the Actuarial Review of the 2018 Actuarial Valuations written by G.S. Curran & Company on behalf of the Sheriffs' Pension and Relief Fund.

Mr. Curran moved that the actuarial funding valuation report for the Sheriffs' Pension and Relief Fund dated June 30, 2018, as presented by G. S. Curran & Company, Ltd., shall be adopted as the official valuation for the system, and that, as specified in the report, the minimum net direct recommended employer contribution rate for fiscal 2020 shall be set at 9.25%, as well as to allocate to the system the full amount available for statutory revenue sharing and ad valorem taxes.

Mr. McGimsey seconded the motion. **There being no objection, the motion passed.**

VI. CONSIDERATION OF ANY OTHER MATTERS THAT MAY COME BEFORE THE COMMITTEE

(1) PRSAC Summary Sheet

Chairman Peacock explained that staff created this summary sheet as discussed at the last PRSAC meeting.

Mr. Broussard explained that he was the one who pushed for this. He has been doing this for the treasurers and there are some things that he thinks get lost in the information package that should be brought to the forefront in some sort of summary fashion. This takes the information inside the actuarial reports into an excel spreadsheet and allows room at the bottom for actuaries to enter any comments they feel necessary.

Chairman Peacock noted that this is something we would keep accumulating year after year. He stated that he believes this will be helpful to the boards.

Margaret Corley, attorney for the Senate, asked for the committee to direct as to the timing of this report. She asked if this should accompany the valuations that are being considered. She also asked if this should be prepared in advance of the meetings or if they only want the adopted valuations.

Chairman Peacock responded that it should be prepared in advance of the meeting. Once the boards of the systems have approved their valuations, this information should be provided to this committee.

The Chairman then asked if all members were in agreement on this matter, to which everyone agreed.

VII. ADJOURNMENT

Ms. Johnson moved the meeting to adjourn. There being no objection, the meeting was adjourned.

[Click here to watch the full meeting.](#)

Senator Barrow Peacock, Chairman

Date: _____