

House Committee on Retirement

Minutes of Meeting
2016 Regular Session
March 31, 2016

I. CALL TO ORDER

Representative Jack Montoucet, vice chairman of the House Committee on Retirement, called the meeting to order at 9:05 a.m. in Room 4, in the State Capitol in Baton Rouge, Louisiana. The secretary called the roll.

II. ROLL CALL

MEMBERS PRESENT:

Representative Mark Abraham
Representative Tony Bacala
Representative Barbara W. Carpenter
Representative Barry Ivey
Representative Sam Jones
Representative Gregory A. Miller
Representative Jack Montoucet, vice chairman

MEMBERS ABSENT:

Representative J. Kevin Pearson, chairman
Representative Paul Hollis

STAFF MEMBERS PRESENT:

Annie Smith, attorney
Linda Hopkins, secretary

ADDITIONAL ATTENDEES PRESENT:

Beverly Hurst, sergeant at arms

III. CONSIDERATION AND ADOPTION OF COMMITTEE RULES

Representative Gregory Miller offered a motion to adopt the committee rules. Without objection, the committee rules were adopted by a vote of 5 yeas and 0 nays. Representatives Abraham, Bacala, Carpenter, Gregory Miller, and Montoucet voted yea.

IV. SYSTEMS' PRESENTATIONS

Vice Chairman Montoucet set the agenda for the meeting by stating 11 of the 13 state and statewide systems would have a 15-minute presentation regarding their retirement systems and committee members would have an opportunity to pose questions to the systems' directors and peruse the systems' summaries and general information handouts.

Louisiana Clerks' of Court Retirement System

Debbie Hudnall, director of the Louisiana Clerks of Court Retirement System, 10202 Jefferson Highway, Building A, Baton Rouge, LA 70809, (225) 293-1162, presented information concerning the system (Exhibit A, pages 18-19). Ms. Hudnall indicated that for the first time in the clerks' history, 19 clerks would retire effective July 1, 2016. Representative Carpenter inquired as to how many employees have considered the DROP program, as well as the length of time DROP remains available to retirees. Ms. Hudnall explained there is no data to show who will or will not select DROP, which remains an option for three years following retirement.

Witness cards submitted by individuals who did not speak are as follows: one to provide information, if requested. Witness cards are included in the committee records.

Firefighters' Retirement System

Steven Stockstill, director of the Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, LA (225) 925-4060, shared his system's statistics from the general information sheet provided to the committee (Exhibit A, pages 25-26) and the history of Firefighters' Retirement System Employer Rates (Exhibit B). Mr. Stockstill discussed the projection of employer contribution rates and estimated amounts for 2016-2017. He summarized figures listing the percentage of five-year total dollar savings allocated to employers and market values from 1985 through 2015. The system adopted the governor's executive order advising state organizations to review their contracts and suggested that their financial managers request a 10% reduction in fees. The new totals will be reflected in next year's fiscal report.

Greg Curran, actuary, G. S. Curran & Associates, 10555 N. Glenstone Place, Baton Rouge, LA 70810, (225) 769-4825, interpreted employee and employer contribution rates. Mr. Curran said the rate was previously set for 2016, and G. S. Curran and Company provided the board with the recommended rate for 2017; however, Mr. Curran explained that when the actual valuation for 2016 is complete, he would disclose the amount needed.

Mr. Stockstill commented that the members should focus and pay close attention to the unfunded accrued liability (UAL) because of the valuation methods used by the actuaries. He stressed the fact that there are several other methods of valuing that could be used by the actuary. He also noted for

the UAL to disappear, there would first need to be a change in the funding. The manner in which the valuations are reported would change, but the debt would not disappear.

Representative Jones inquired about the investment consultants used by the Firefighters' Retirement system over the last five years; the amount of time Firefighters' Retirement System has employed them; and the name of their former consultant. Representative Jones stated the reason for his questions resulted from losses incurred in the Municipal Employees' Retirement System. Furthermore, Representative Jones requested a report from FRS to include travel costs for the board citing the purpose, dates of travel, destination, and the person(s) financially responsible for the trip. The information was to be returned to the committee by the next regularly scheduled meeting, April 14, 2016.

Louisiana State Employees' Retirement System and Teachers' Retirement System of Louisiana

Maureen Westgard, director, Teachers' Retirement System of Louisiana, 8401 United Plaza, Baton Rouge, LA, (225) 925-6454, had received a request from Chairman J. Kevin Pearson of the House Committee on Retirement to present both TRSL and LASERS findings together. Ms. Westgard cited the legislative reforms made in the state and detailed how well they are working, as more than \$5 billion in long-term cost savings has been adopted by the legislature. Committee members received documents (Exhibit A, C, D, and E) detailing the system's updates and overviews.

Cindy Rougeou, executive director, Louisiana State Employees' Retirement System, 8401 United Plaza Boulevard, Baton Rouge, LA 70809, (225) 922-0604, stated that the changes adopted by the legislature seemed to be the "best kept secret at the state capitol". She clarified that Louisiana has done more than any other state for pension reform (Exhibits A, C, D and E). Both directors discussed Act No. 497 of 2009 and Act No. 399 of 2014 passed by the legislature; additionally, similar reforms have taken place over the last 20 years. The directors of the two systems explained that eliminating the balloon payment resulted in reducing and paying debts sooner than projected. The excess investment gains in the Teachers' Retirement System of Louisiana Experience Account prohibit any future cost-of-living-adjustments (COLAs). Hundreds of millions of dollars have already been saved because of the acts which reduced the unfunded accrued liability (UAL) and credited the experience accounts that fund COLAs.

Shelley Johnson, actuary, 13420 Parker Commons Boulevard, Suite 104, Ft. Myers, FL 33902, (239) 433-5500, spoke on behalf of both LASERS and TRSL, and further clarified the actuarial soundness of both systems. Ms. Johnson noted that approximately 90% of the funds go to retirees and beneficiaries living in Louisiana. Overall, legislative reforms are expected to continue to reduce long-term costs by \$8 billion.

Representative Ivey directed questions to both directors pertaining to social security benefits, employer and employee contribution rates, the gains and losses projected in both systems, and the significantly lower benefits for retirees in our state. Ms. Rougeou said there are many factors which

collectively play into the UAL, and that the Actuarial Standards Board continues to examine the numbers over the past 30 years. Ms. Westgard said over the long term, both systems have done very well and are in the top quartile of pension systems in the country.

Louisiana School Employees' Retirement System

Charles Bujol, director of Louisiana School Employees' Retirement System, 8660 United Plaza Boulevard, Baton Rouge, LA, (225) 925-6486, gave a statutory overview of the system (Exhibit A, pages 7-8) and a break down of the board of trustees: six elected members; four active members from various districts within the state; two retirees, elected statewide; six ex officio members; the secretary of state; the state treasurer; the Senate and House retirement chairpersons; the president of the Louisiana school bus operators association; and the division of administration. There are 12,061 active members in the system: 55% are school bus drivers and school aides, 34% are custodians, 10% are maintenance employees, and the remainder are teachers who were formerly school bus drivers and aides.

There are 13,024 retired members who average a benefit of \$12,059 per year, while 660 retirees participate in the Deferral Retirement Option Plan (DROP). Since 2010, the source of funding from new hires is 7.5 - 8%. This reform was initiated by the board to stabilize the system. The employer contributions are based on actuarial computations and represent 25% of funding, while investment earnings make up 69% of funding. Actuarial data as of June 30, 2015, show annual benefits to retirees of \$154.8 million. Ninety-six percent of retirees remain in Louisiana, resulting in money circulating within local economies. The valuations of assets as of June 30, 2015, were \$1.75 billion, up \$125 million from 2014. The \$8 million in savings will be passed along to the school systems. Staff has been reduced by 12 persons over the past seven years, which resulted in a fiscal savings of \$744,000 in benefits.

Representative Jones said that in 2015, Municipal Employees' Retirement System had a vacancy on their board for which no one qualified. Representative Jones asked Mr. Bujol if a similar incident had occurred in his system over the years. Mr. Bujol stated that he was not aware of any such situation. Representative Jones requested a report of the board members' functions by the April 14, 2016, meeting.

Greg Curran, actuary, G. S. Curran and Company, 10555 North Glenstone Place, Baton Rouge, LA 70810, (225) 769-4825, said his firm recently acquired this system. Mr. Curran noted that the valuation rate had been lowered to address administrative expenses and calculated new valuations of this plan.

Louisiana State Police Retirement System

Irwin Felts, director of Louisiana State Police Retirement System, 9224 Jefferson Highway, Baton Rouge, LA 70809, (225) 295-8406, said the board was made up of 11 members, seven of whom were

troopers or related to a trooper; House and Senate retirement chairpersons; the state treasurer, and the commissioner of administration. This system is the smallest of the four state retirement systems, and every member is a hazardous duty employee. The staff and four additional employees are part of LASERS. There are 991 members and 1,265 retirees, resulting in a ratio of .78 to 1. This ratio distorts the employer contribution rate, yet will remain unchanged (Exhibit A, pages 10-11).

Representative Bacala asked about employee and employer contribution rates. Charles Hall, actuary, Hall Actuarial Associates, 1624 La Salle Parc Drive, Baton Rouge, LA 70806, (225) 928-7866, explained that the employee rate is low and the employer rate is high. This particular system has a small payroll compared to the retiree payroll. He said the demographics are crucial and, unlike the other systems, there is no inflow and outflow of employment. The only instance where new hires occur is when an academy graduates. In the past five years, there have only been three graduating classes.

Witness cards submitted by individuals who did not speak are as follows: 1 to provide information only if requested. Witness cards are included in the committee records.

Louisiana Assessors' Retirement Fund

Nanette Menou, director, Louisiana Assessors' Retirement Fund, 3060 Valley Creek Drive, Baton Rouge, LA 70808, (225) 928-8886, began her presentation with an overview of the general information form (Exhibit A, pages 14-15). She said the board of trustees has 17 members, with Rick Ducote, Jr., as the chairman; Senate and House retirement committee chairpersons; eight assessors, one from each of the districts; three officers who oversee the association and the insurance board; two employee representatives; and two retiree representatives.

Ms. Menou described line items from the Summary of Valuation Results (Exhibit F). She said they are a small system, and the funding deposit account balance is \$21 million, but the system has kept the employer contribution rate at 13.5% for the last ten years due to unsettled investment returns. The board agreed to keep a higher rate because of market volatility. Previous legislation permitted the use of the funding deposit account to accomplish the following goals: 1) offset future increased employer contribution rates; 2) pay off the unfunded accrued liability; 3) lower future contribution rates; and 4) fund COLAs. As of 2009, the DROP plan was replaced by the back DROP system, in which members received a lump sum payment and an annuity.

Representative Jones asked about write-offs. Ms. Menou explained that assessors, along with several other systems, were part of an Americus real estate investment that consisted of a building occupied by state agencies outside of Louisiana. The tenants vacated the building, which precipitated the retirement system to write off the property in 2013 and 2014. The venture will be paid in five years.

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District Attorneys' Retirement System

E. Pete Adams, director, District Attorneys' Retirement Fund, 1645 Nicholson Drive, Baton Rouge, LA 70802, (225) 267-4824, explained the general information sheet (Exhibit A, 21-22), including travel and per diem costs for trustees. He said investment returns have fluctuated over the years with market performance but have bounced back in the last couple of years. Allocation is spread mostly between exchange-traded funds; additionally there are alternative funds, and diversity with fixed income and assets. Mr. Adams said the employer contribution rate is 3.25%. The Public Retirement Systems' Actuarial Committee (PRSAC) has recommended a zero contribution rate beginning July 1, 2016.

Representative Bacala asked Mr. Adams whether or not an employee is able to withdraw his funds from his retirement account when he leaves the system. Mr. Adams reported that those rates are set by statute.

Municipal Police Retirement System

Kathy Bourque, director, Municipal Police Employees' Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, LA 70809, (225) 929-7411, discussed the general information sheets (Exhibit A, 33-34). She said the board make up consists of 15 members: four chiefs; three non-chiefs; the commissioner of administration; the state treasurer; two mayors appointed by Louisiana Municipal Association; the House and Senate retirement committee chairpersons; and four retirees.

Representative Jones inquired about the system's investment consultant, and which, if any, investments required a write-off. Ms. Bourque stated between 2008-2009, there was a \$30 million write-off for a golf course. Ms. Bourque stated that the remainder of the write-offs were sold at a fire sale. Representative Jones requested a list of write-offs on all investments, their values, and the amounts of each sold investment.

Greg Curran, actuary, G. S. Curran and Company, 10555 North Glenstone Place, Baton Rouge, LA, 70810, (225) 769-4825, answered questions from Representative Bacala regarding the scheduled unfunded accrued liability (UAL) to be paid in 2028-2029. Mr. Curran said as new pieces of the UAL are added, gains and losses are measured and are being spread over 15 years. This change occurred when the actuaries recommended the legislature to change it. He said the practice is more in line with the average working lifetime of MPRS members.

Registrars of Voters Employees' Retirement System

Greg Curran, actuary, G. S. Curran and Company, 10555 North Glenstone Place, Baton Rouge, LA, 70810, (225) 769-4825, spoke on behalf of the system. He said this plan has a ratio of 82.35%, and small side allocation of the funding deposit account would allow the board some flexibility if cost

increases occurred in the future. The board has held the employer rate higher than the minimum amount in order to build up the funding deposit account (Exhibit A, pages 40-41), according to Mr. Curran.

Representative Jones asked if the system had any write offs. Mr. Curran responded that he would make the request known to the director of Registrars of Voters.

Sheriffs' Pension and Relief Fund

Skip McGee, director, Louisiana Sheriff's Pension and Relief, 1225 Nicholson Drive, Baton Rouge, LA 70802, (225) 219-0500, introduced himself and board member, Ronnie Morse, chief deputy of Livingston parish. He said Mr. Morse served 42 years and remains a vital member of the board, is vice chair of the investment committee, and is active in the funding study committee, the legislative committee, and the executive committee.

Mr. McGee said the board consists of a president and vice president; sheriffs elected by Louisiana Sheriffs' Association; three active sheriffs and three retired sheriffs, all of whom served staggered terms; three active deputies; three retired deputies; ex officio members; and House and Senate retirement chairpersons. Mr. McGee reviewed the general information form for members (Exhibit A, pages 43-44). He told the committee that the sheriffs' fund is a statewide pension fund in which members' benefits are insured by contribution rates. This retirement system is not a liability of the state, nor are the benefits guaranteed by the state. Mr. McGee said membership is mandatory for any employee who earns \$1,000 or more per month and the average annual benefit is \$29,000.

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V. ANNOUNCEMENTS

There were no announcements.

VI. ADJOURNMENT

Representative Abraham offered a motion to adjourn. Without objection, the motion to adjourn passed by a vote of 7 yeas and 0 nays. Representatives Abraham, Bacala, Carpenter, Ivey, Jones, Gregory Miller, and Montoucet voted yea.

The meeting was adjourned at 12:43 p.m.

Respectfully submitted,

Chairman J. Kevin Pearson
House Committee on Retirement
Date adopted: