

# FUNDING REVIEW PANEL

Tuesday, August 30, 2011

9:30 a.m.

House Committee Room 2

State Capitol

Baton Rouge, Louisiana

## MINUTES

### I. CALL TO ORDER

The meeting was called to order by Dr. Steven Procopio, designee of Commissioner Paul W. Rainwater, at 9:44 AM.

### II. ROLL CALL

#### Recommendations Committee: voting members

##### *Members Present:*

Mr. Stacy Birdwell – member of the Firefighters' Retirement System (FRS)

*selected by the FRS board of trustees*

Mayor J. Lynn Lewis of Delhi

*selected by the Louisiana Municipal Association (LMA)*

Dr. Steven Procopio

*designee of Commissioner Paul W. Rainwater*

Mayor Randy Roach of Lake Charles

*selected by the Louisiana Conference of Mayors (LCM)*

Mr. Bob Rust – member of the Municipal Employees' Retirement System (MERS)

*selected by the MERS board of trustees*

Ms. Rina Thomas

*appointed by the Governor*

##### *Members Absent:*

Capt. Henry Dean – member of the Municipal Police Employees' Retirement System

*(MPERS), selected by the MPERS board of trustees*

#### Advisory Committee: non-voting members

##### *Members Present:*

Mr. Charlie Fredieu

*selected by the Professional Fire Fighters Association (PFFA)*

Representative Kevin Pearson  
*chairman, House Retirement Committee*

***Members Absent:***

Representative Paige Cortez – member of the House Retirement Committee  
*appointed by House Speaker Jim Tucker*

Senator Butch Gautreaux  
*chairman, Senate Retirement Committee*

Senator Elbert Guillory, member of the Senate Retirement Committee  
*appointed by Senate President Joel Chaisson*

Mr. Chris Gillott  
*appointed by the Governor*

Mr. Chris Nassif  
*selected by the International Union of Police (IUPA) from nominations submitted by the Louisiana organizations affiliated with the IUPA*

**Staff Members Present**

Ms. Sue Israel – Acting Secretary

Ms. Laura Gail Sullivan – Senate Counsel

**III. INTRODUCTORY COMMENTS AND REVIEW OF R.S. 11:108**

Dr. Procopio welcomed the panel members and others in attendance and thanked everyone for being there. Because there was not a quorum present, Dr. Procopio advised that no business would be conducted during this meeting, although he suggested that the panel proceed with the meeting so that some organizational issues could be discussed.

At the request of Dr. Procopio, Senate Counsel Laura Gail Sullivan, who served as primary staff to the panel last year, presented an overview of the activities relevant to the 2011 legislative session. Ms. Sullivan advised that Rep. Pearson and Sen. Gautreaux had filed Act 332 as their effort to put into play the recommendations of the FRP. Those recommendations included adding some members to the board of MPERS; to give the FRS and MPERS the ability to maintain contribution rates at a higher level under certain circumstances, as MERS is permitted to do; to increase the employee contribution from 8% for FRS to a maximum of 10%, to increase from 7.5% at MPERS to a maximum of 10%, and those employee contributions which fluctuate between those two endpoints based on the total contributions necessary to maintain the system on an actuarially sound basis; that the legislature have the FRP continue; and to put in a 15% anti-spiking provision beginning July 1, 2011.

Ms. Sullivan stated that the original version of the bill attempted to put all of the recommendations in place, through some negotiation with the parties that are involved in the panel. The final legislation that was passed came out a little different than they had envisioned, but it was something that everybody felt embodied the spirit of what the FRP had recommended in the first place. The main thing for the panel members to know at this point, she advised, is that the panel is now a continuous body. The panel shall undertake a continuous and comprehensive review of the actuarial funding and benefit structure of the three systems. That provision is now in R.S. 11:108(D).

In addition, she advised that the panel was directed to report to the House and Senate committees on retirement and to the legislative auditor annually, with that report due by February 1 in even-numbered years and by March 1 in odd-numbered years. Thus, this panel's report for 2012 is due on February 1. She cautioned the panel that the pre-filing deadline for filing legislation is now prior to February 1. If the panel would like to make recommendations to be considered for legislation, she suggested that the panel issue its report by December 31, 2011, or in early January 2012.

Another change enacted through Act 332 is that the state treasurer, who had been serving as a member of the Recommendations Committee, was replaced by the commissioner of administration. The main duty of the treasurer, and now the commissioner, is to call the first meeting and to preside until a chairman is elected by the membership. Since there was not a quorum, she advised that Dr. Procopio will continue to preside until that vote is taken.

Dr. Procopio added that last year's panel had conducted a lot of meetings, many of which were very long meetings and which resulted in some impressive legislation, especially considering that it was a short fiscal session.

#### **IV. ELECTION OF OFFICERS**

Since there was not a quorum, election of officers did not take place.

#### **V. DISCUSSION OF FUTURE MEETINGS, SCHEDULE, STAFFING, AND TOPICS FOR CONSIDERATION**

Dr. Procopio said he would be asking for panel members to provide topics they would like to be considered for recommendation to the legislature. Mr. Rust stated that, with all the legislation that had been recommended by the panel last year, he was curious about what other matters the panel might have to consider. Dr. Procopio stated that the panel did spend a great deal of time going over a substantial number of matters, and they need to find out what topics they would like to reconsider this year, as there may have been some matters that the panel was unable to get to or some that they looked at and perhaps didn't decide at that time, or there may be some new things the panel would like to look at this year.

Mayor Roach said that, with the passage of HB 332 in the last session, the panel probably now has a better idea of the challenges they are facing to move legislation through the process. Unfortunately, he added, the problems facing the systems are not getting any better or any easier to manage. It was his thought that the panel should at least report to the legislature and keep them apprised of the status of the systems and the magnitude of the problems that the communities are faced with. He said in his conversations with some of the people involved with the three systems and related organizations, there appears to be some agreement that there may be a need to create new plans for the systems for their new hires, as was done for some other systems in the 2010 session. Unless you make substantive changes in the existing systems, he explained, you will not be able to "move the needle" very far. But in the effort to create a new system for new hires, he thought perhaps the panel would be able to develop a solution that may work for existing systems. He added that, in the least, he thought the panel owed the legislature a report that apprises them of the systems' financial position and the challenges they are facing, which he did not anticipate would be improving any time soon.

Dr. Procopio stated that legislation now provides for the three systems as well as the LMA and the LCM to provide staffing for the panel. Ms. Sullivan advised that the three retirement systems have always been responsible for providing some staffing for the panel, but the legislative staff has now been removed and replaced with the LMA and the LCM as entities that are responsible for providing whatever staffing as well as facilities that might be needed for the panel to do its work.

Dr. Procopio stated that, while the panel can continue to meet at the state capitol, which is a great facility, the systems may want to consider rotating the meetings at their facilities, if nothing else to see where all the systems reside; and perhaps the LMA could host a meeting at its facility as well. While this could be a way to share the responsibilities for staffing and hosting the meetings, he added that he wouldn't want that arrangement to be burdensome to anyone, so he wanted to get feedback from the parties involved. Mr. Rust stated that MERS would be happy to host, but their board room cannot accommodate an audience.

Mayor Roach said he liked the idea of rotating the meeting location, although it could end up being impractical. The LMA has a large enough conference room, but everyone may prefer to rotate so as not to give the impression that one group or organization was trying to influence the committee. While he didn't think that anyone on the panel would get that impression, he thought it important that the members of the systems understand that the panel is trying to be very fair and open in its processes and deliberations. There was some discussion that FRP may want to hold the next meeting in conjunction with LAPERS, but that was considered unlikely because everything is already booked up for the conference as well as the Saints game scheduled for that weekend. If that doesn't work out, a meeting the following week would be arranged. Ms. Kathy Bourque of MPERS stated that they would be happy to host the next FRP meeting in September if the meeting at LAPERS could not be arranged.

Regarding staffing, it was determined that actuaries should not be a problem because there are two actuaries between the three systems, and both are now within one firm. Mr. Steven Stockstill, Director of FRS, said if the meetings are rotated between the three systems, there would be no problems staffing, as each system has a built-in staff to utilize. He added that FRS would do whatever it takes to make the panel work. They will provide the minutes of whatever is needed. Regarding topics for consideration, Mr. Stockstill requested that some sort of economic information, along the lines of Dr. Richardson's economic report done last year, would be very helpful to him. Even though there is no funding to commission an ongoing study, he suggested that perhaps someone could arrange for a panel of economists to come and present to the FRP pro bono. He added that they need to know if the phenomenon of the flash crashes that have been experienced since 2008 are expected to continue or whether it is a phase that the economy will eventually outgrow and/or self-correct. They need guidance to know how to operate going forward. Dr. Procopio agreed and said he would try to arrange something for the next meeting. Mr. Rust added that industry or investment experts would be helpful also.

Mayor Roach suggested that the FRP chairman (not yet elected) solicit members and the systems for their ideas on material to cover and share with the group. With the brief time frame FRP has to do its work, they will need to get to work on this right away. Ms. Sullivan pointed out that, if the panel meets only once a month, in all practicality, that would mean meeting once in September, October, November, and December, although it's often difficult to get a meeting

together in December at all. Then the January meeting would be dedicated to preparing the final report so that it can be submitted to the legislature by February 1, or earlier if they want to target the pre-filing deadline. Since one of the mandates of the panel is the continuous and comprehensive review of the actuarial funding, she said asked Mr. Greg Curran, an actuary for Curran and Associates, when the new valuations might be ready for the three systems, but he stated that the information may be not ready until late October or early November, which will leave one or two meetings in which the panel will not have a true picture of the current actuarial health of the systems. Mr. Curran stated that the determining factor in their preparations of the system valuation reports will be the auditors' financial reports, which are all done by the same auditing firm; but it could be difficult to have that information for all three systems done in time to provide the needed information for inclusion in the report to the legislature. He stated that they (the actuaries) wait to receive the information from the auditors before they complete their valuation reports because their reports are based on audited information. Mr. Rust confirmed what Mr. Curran said, adding that their audit report and actuarial report will not go before their board until the December meeting.

## **VI. OTHER BUSINESS**

There was no other business.

## **VII. ADJOURNMENT**

Dr. Procopio adjourned the meeting 10:15 AM.

Respectfully submitted,

Dr. Steven T. Procopio, designee of Commissioner Paul W. Rainwater

*Date Approved by the Panel:*

**11/15/11**

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