

Parochial Employees' Retirement System

Actuarial Review for Fiscal 2013 and
Upcoming Issues

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Plan A – Present Value of Future Benefits

The present value of future benefits represents the amount of money that would be needed as of December 31, 2013 to pay future benefits for current members.

• Active Members:	\$ 2,520,337,826
• Terminated Members	\$ 76,122,564
• Retired Members	<u>\$ 1,180,929,388</u>
TOTAL	\$ 3,777,389,778
MARKET VALUE OF ASSETS (12/31/2013)	\$ 3,043,479,814

Plan A Costs for 2015

1. Present Value of Future Benefits	\$	3,777,389,778
2. Funding Deposit Account Credit Balance	\$	4,918,053
3. Actuarial Value of Assets	\$	2,760,148,403
4. Present Value of Future Employee Contributions	\$	370,352,485
5. Present Value of Future Employer Normal Costs (1+2-3-4-5)	\$	651,806,943
6. Present Value of Future Salaries	\$	4,378,696,441
7. Employer Normal Cost Accrual Rate (6÷7)		14.885867%
8. Projected Fiscal 2014 Salary for Current Members	\$	506,327,034
9. Employer Normal Cost as of January 1, 2014 (8 x 9)	\$	75,371,169

Plan A Costs (Continued)

10.	Employer Normal Cost and Amortization (Midyear Payment)	\$	78,055,570
11.	Estimated Administrative Cost for Fiscal 2014	\$	1,296,155
12.	TOTAL Administrative and Interest Adjusted Actuarial Costs	\$	79,351,725
13.	Estimated Ad Valorem Tax Contributions for Fiscal 2014	\$	7,132,288
14.	Estimated Revenue Sharing Funds for Fiscal 2014	\$	136,787
15.	Employers' Minimum Net Direct Actuarially Required Cont.	\$	72,082,650
16.	Projected Payroll for Fiscal 2014	\$	551,646,399
17.	Minimum Recommended Net Direct Employer Contribution Rate for Fiscal 2015		13.00%

Effects on the cost structure for Plan A:

Employer's Normal Cost Accrual Rate – Fiscal 2013 **17.2914%**

Factors Increasing the Normal Cost Accrual Rate:

Assumption Change 2.4557%

Factors Decreasing the Normal Cost Accrual Rate:

Asset Experience 3.0888%

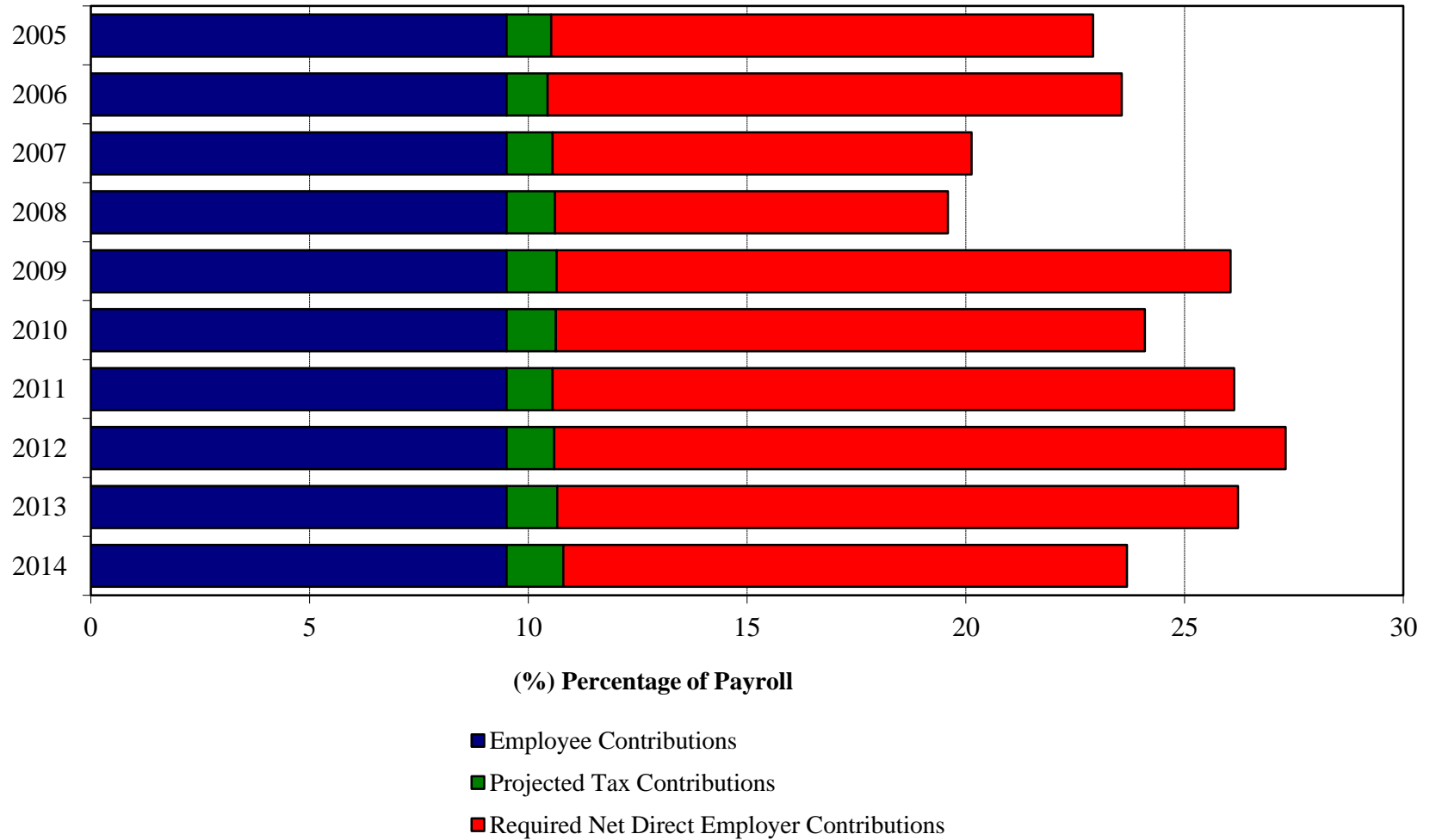
Liability Experience 1.0364%

New Members 0.6354%

Contribution Experience 0.1006%

Employer's Normal Cost Accrual Rate – Fiscal 2014 **14.8859%**

Sources of Contributions – Plan A:



ASSET EXPERIENCE

<u>Plan A</u>	<u>Market Value</u>	<u>Actuarial Value</u>
2004	10.2%	6.9%
2005	6.3%	11.1%
2006	12.8%	11.3%
2007	7.9%	17.1%
2008	-25.7%	-4.9%
2009	20.6%	9.1%
2010	15.2%	4.4%
2011	-0.7%	2.9%
2012	15.6%	4.2%
2013	18.1%	13.0%

YEAR-TO-YEAR COMPARISON - PLAN A:

	2013	2012	2011	2010	2009
Actives	13,866	14,370	14,646	14,791	14,795
Retirees	6,242	5,991	5,718	5,531	5,413
Term-Vested	683	561	561	556	562
Due Refund	7,109	6,795	6,795	6,762	6,611
Active Payroll	543,669,542	558,327,346	552,543,155	546,737,427	536,408,372
Retiree Payments	124,299,785	114,515,106	104,683,495	97,650,642	90,207,961
Market Value of Assets	3,043,479,814	2,583,983,506	2,230,462,425	2,225,041,407	1,904,114,041
Actuarial Value of Assets (AVA)	2,760,148,403	2,448,529,177	2,344,047,017	2,259,207,052	2,135,230,590
Entry Age Normal Accrued Liability	2,984,143,643	2,823,038,820	2,682,634,009	2,553,982,211	2,358,101,301
Ratio of AVA to EAN Accrued Liab.	92.49%	86.73%	87.38%	88.46%	90.55%
Present Value of Future Employer Normal Cost	651,806,943	773,908,389	724,810,561	669,371,250	552,376,261
Present Value of Future Employee Contributions	370,352,485	378,465,400	373,626,178	370,489,102	355,947,027
Funding Deposit Account Credit Balance	4,918,053	4,574,933	29,274,204	27,231,818	25,331,924
Present Value of Future Benefits	3,777,389,778	3,596,328,033	3,450,112,888	3,317,592,043	3,071,774,342

Plan B – Present Value of Future Benefits

The present value of future benefits represents the amount of money that would be needed as of December 31, 2013 to pay future benefits for current members.

• Active Members:	\$	233,346,438
• Terminated Members	\$	8,017,147
• Retired Members	\$	<u>63,143,288</u>
TOTAL	\$	304,506,873
MARKET VALUE OF ASSETS (12/31/2013)	\$	237,412,166

Plan B Costs for 2015

1. Present Value of Future Benefits	\$	304,506,873
2. Funding Deposit Account Credit Balance	\$	2,126,959
3. Actuarial Value of Assets	\$	216,066,754
4. Present Value of Future Employee Contributions	\$	19,192,399
5. Present Value of Future Employer Normal Costs (1+2-3-4)	\$	71,374,679
6. Present Value of Future Salaries	\$	694,433,400
7. Employer Normal Cost Accrual Rate (5 ÷ 6)		10.278117%
8. Projected Fiscal 2014 Salary for Current Membership	\$	82,772,280
9. Employer Normal Cost as of January 1, 2014 (7 x 8)	\$	8,507,432
10. Normal Cost Interest Adjusted for Midyear Payment	\$	8,810,431

Plan B Costs for 2015 (Continued)

11. Estimated Administrative Cost for Fiscal 2014	\$	212,581
12. TOTAL Administrative and Interest Adjusted Actuarial Costs	\$	9,023,012
13. Projected Ad Valorem Tax Contributions for Fiscal 2014	\$	1,094,043
14. Projected Revenue Sharing Funds for Fiscal 2014	\$	22,435
15. Employers' Net Direct Actuarially Required Contribution for Fiscal 2014 (12 – 13 – 14)	\$	7,906,534
16. Projected Payroll for Fiscal 2014	\$	91,920,820
17. Minimum Recommended Net Direct Employer Contribution Rate for Fiscal 2015		8.50%

Effects on the cost structure for Plan B:

Employer's Normal Cost Accrual Rate – Fiscal 2013 **11.0966%**

Factors Increasing the Normal Cost Accrual Rate:

Assumption Change 1.4213%

Factors Decreasing the Normal Cost Accrual Rate:

Asset Experience 1.4454%

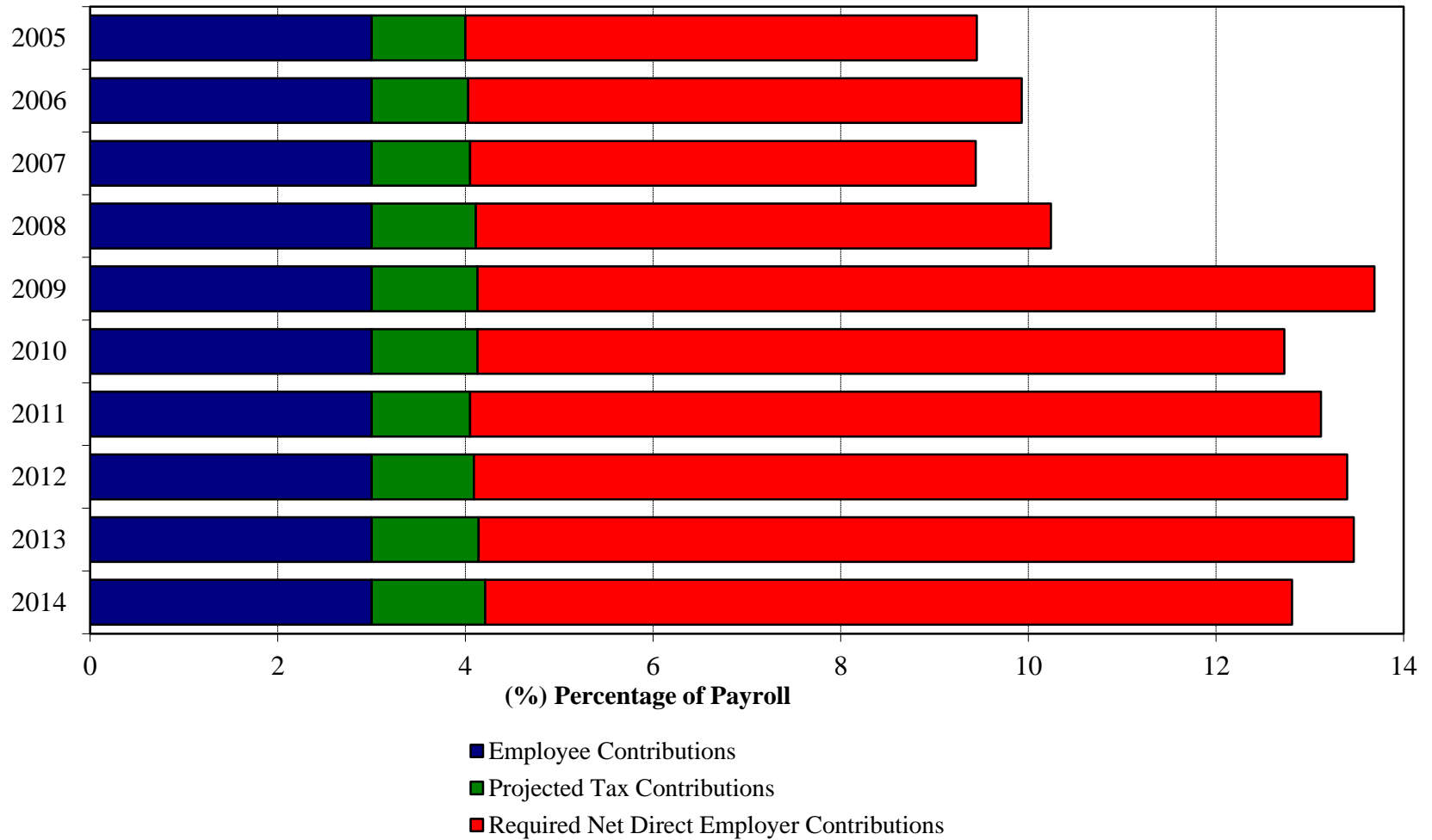
Liability Experience 0.4895%

New Members 0.3049%

Contribution Experience 0.0000%

Employer's Normal Cost Accrual Rate – Fiscal 2014 **10.2800%**

Sources of Contributions - Plan B:



ASSET EXPERIENCE

<u>Plan A</u>	<u>Market Value</u>	<u>Actuarial Value</u>
2004	9.6%	8.5%
2005	5.1%	10.6%
2006	11.6%	9.8%
2007	7.7%	13.4%
2008	-25.0%	-5.2%
2009	20.7%	8.8%
2010	15.4%	4.6%
2011	-0.7%	3.2%
2012	15.8%	4.8%
2013	17.6%	12.8%

YEAR-TO-YEAR COMPARISON - PLAN B:

	2013	2012	2011	2010	2009
Actives	2,288	2,298	2,303	2,313	2,290
Retirees	688	657	611	576	560
Term-Vested	135	132	129	125	118
Due Refund	1,550	1,504	1,471	1,430	1,426
Active Payroll	89,168,260	86,882,261	84,237,202	81,999,193	79,373,895
Retiree Payments	6,779,114	6,334,153	5,746,033	5,349,314	4,986,096
Market Value of Assets	237,412,166	196,577,145	165,603,549	161,776,161	134,940,283
Actuarial Value of Assets	216,066,754	186,172,779	173,354,490	163,075,793	150,446,497
Entry Age Normal Accrued Liability	233,321,224	212,489,491	198,962,892	186,118,552	171,160,473
Ratio of AVA to EAN Accrued Liability	92.60%	87.62%	87.13%	87.62%	87.90%
Present Value of Future Employer Normal Cost	71,374,679	74,251,290	71,951,379	67,556,191	60,488,525
Present Value of Future Employee Contributions	19,192,399	18,544,210	18,084,026	17,527,008	16,221,775
Funding Deposit Account Credit Balance	2,126,959	1,559,909	1,012,867	334,656	311,308
Present Value of Future Benefits	304,506,873	277,408,370	262,377,028	247,824,336	225,845,489

GASB and its changes

GASB = The Governmental Accounting Standards Board

GASB publishes statements which provide guidance on the best practices for financial statements of governmental entities, including governmental defined benefit pension plans.

Auditors, and/or the Louisiana Legislative Auditor's office, require employers and the retirement system to be GASB compliant in order to receive a clean audit opinion.

Changes related to PERS

- By December 31, 2014, changes must be made in the financial statements for the retirement system
- GASB 67 requires PERS to include certain new information within its financial statements.
 - (GASB 67 does not change the funding requirements for PERS)
- PERS will have to provide actuarial liabilities and funded ratios in their financial statements which will have to be calculated based upon the entry age normal cost method and a valuation interest rate assumption that must be set according to GASB standards somewhere within a range from the tax-exempt municipal bond index rate to the long term expected investment return.

GASB 68

- GASB 68 replaces GASB 27.
- GASB 68 requires that each employer within PERS include within their financial statements their “Proportionate Share of the Collective Net Pension Liability”.
- This will require an actuarial study based upon the system’s participants employed by each employer. Effectively, each employer will get a piece of the GASB 67 unfunded accrued liability.

GASB 68 (continued)

- GASB 68 will require each Parish to show a liability for their share of the unfunded obligations of each public retirement system for which their employees are members.
- This will likely bring additional attention to the costs of the various retirement systems and will require education of the retirement system's stakeholders.
 - One important fact is that GASB's new rules were specifically written to affect only reporting and do not require changes in the funding of the systems.