

# The State of Louisiana

Actuarial Valuation Report  
As of July 1, 2017

Information Required Under  
Governmental Accounting Standards  
Board Statement No. 75

Fiscal Year Ending: June 30, 2018

July 2018

© 2017 Conduent Business Services, LLC. All rights reserved. Conduent and Conduent Agile Star are trademarks of Conduent Business Services, LLC in the United States and/or other countries.

Other company trademarks are also acknowledged.

Document Version: 1.0 (January 2017).

July 25, 2018

Conduent was retained to complete this actuarial valuation report which provides information for the State of Louisiana Postretirement Benefits Plan ("Plan") for the fiscal year ending June 30, 2018. The purposes of the valuation are to provide reporting and disclosure information for financial statements of the Plan and of the State of Louisiana, as well as for governmental agencies and other interested parties. This valuation report contains information that is required for compliance with the Governmental Accounting Standards Board's Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions ("GASB 75").

### **Purpose of This Report**

GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, and Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, and is effective for fiscal years beginning after June 15, 2017. Earlier adoption is encouraged under both standards. The State of Louisiana has elected to adopt GASB 75 for Fiscal Year 2018.

The State of Louisiana may use this report as a source of information for its financial statements. Use of this report for any other purpose may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the report for that purpose. This report should not be provided except in its entirety.

Because of the risk of misinterpretation of actuarial results, you should ask Conduent to review any statement you wish to make on the results contained in this report. Conduent will accept no liability for any such statements made without prior review by Conduent.

Future actuarial measurements may differ significantly from current measurements due to such factors as the following: retiree group benefits program experience differing from that anticipated by the assumptions, changes in assumptions, changes expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period), and changes in plan provisions, applicable law or regulations. Retiree group benefit models necessarily rely on the use of approximations and estimates and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. An analysis of the potential range of such future differences other than the required disclosures related to the sensitivity to discount rate and healthcare cost trend rate assumptions is beyond the scope of this report.

### **Data, Assumptions, Methods and Plan Provisions**

This valuation was performed using employee census data, claims and enrollment data, and plan provisions provided by the State of Louisiana personnel. Although we did not audit the data, we reviewed the data for reasonableness and consistency with the prior year's information. A detailed review of the data and its sources beyond that necessary to develop the analysis was not performed and is beyond the scope of the analysis. The results of the valuation are dependent on the accuracy of the data.

The entry age normal liabilities presented herein were determined as of July 1, 2017 using data as of that date provided by the State of Louisiana. The total OPEB liability as of July 1, 2017 was determined based on a roll backward of the July 1, 2017 valuation assuming no gains or losses due to experience.

The assumptions, methods, and plan provisions used were the same as those in the State of Louisiana Postretirement Benefit Plan GASB 45 Actuarial Valuation as of July 1, 2016 produced by Arthur J. Gallagher & Co. as of July 25, 2017, except for the following:

- J The actuarial cost method used was revised to the Entry Age Normal (EAN) level percent of pay method, consistent with the requirements of GASB 75.
- J The Net OPEB Obligation and the Annual Required Contribution as defined in GASB 45 are no longer determined, since they are no longer required to be disclosed on the Annual Financial Statement. Instead, the annual OPEB expense recognized on the statement of activities (income statement) is based on the total OPEB liability change between reporting dates. Some changes will be recognized immediately, others amortized over several years, in accordance with the requirements of GASB 75.
- J The discount rate has been decreased from 3.80% to 3.13% since the previous valuation. Additionally, a discount rate of 2.71% was used to measure the liability using a measurement date of July 1, 2016. Under GASB 75, unfunded plans are required to use a discount rate that reflects the 20-year tax-exempt municipal bond yield or index rate. Thus, the discount rates of 3.13% and 2.71% are based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2017 and June 30, 2016, respectively. The discount rate used in the GASB 45 valuation was selected by the plan sponsor.
- J Baseline per capita costs (PCCs) were updated to reflect 2017 claims and enrollment and retiree contributions were updated based on 2018 premiums. Age-related morbidity factors were updated for setting PCCs. The expected impact of the increase in Coverage Gap Brand Discounts from 50% to 70% in 2019 has been incorporated in the PCCs.
- J The mortality assumption was updated from the RP-2014 Healthy Annuitant and Employee tables for males and females with generational projections using projection scale MP-2016 to the RP-2014 Healthy Annuitant and Employee tables for males and females using projection scale MP-2017. These updates were based on information released by the Society of Actuaries in October 2017.
- J The healthcare cost trend rates were updated to reflect recent healthcare trend survey results.
- J Current retirees over age 65 are valued based on their reported Medicare status, while 95% of retirees under age 65 at 7/1/2017 are assumed to be eligible for Medicare at age 65.

- J The basis for credited service was updated to pension system credited service rather than what we understand to be recent date of hire provided in the pension census data. Credited service is used in relation to demographic assumptions like turnover and retirement, as well as retirement eligibility. OGB participation service continues to be used to determine the state/retiree share of the monthly premium contribution.
- J Salary increase rates were updated to be consistent with the pension valuation assumptions. Previously, an annual increase of 3.00% was assumed.
- J The impact of the High Cost Excise Tax was revisited, reflecting updated plan premiums as well as changes to the implementation date and assumed rate of increase in the threshold as a result of legislation passed since the previous valuation.

The impact of these changes from the prior valuation are as follows (for included agencies):

**Change in Actuarial Accrued Liability from 7/1/2016 Valuation (in \$1,000s):**

7/1/2016 Valuation	\$6,560,342	
Change due to		
Expected growth during the year	217,310	
EAN cost method	501,995	7.4%
Discount rate to 3.13%	828,563	12.2%
PCC/retiree contributions/age morbidity	(731,006)	(10.8%)
Mortality	(72,956)	(1.1%)
Trend	247,030	3.6%
Medicare eligibility	162,156	2.4%
Pension Credited Service	987,240	14.6%
Salary Scale	(186,760)	(2.8%)
Other	177,064	2.6%
7/1/2017 Valuation	8,690,978	

**Actuarial Certification**

The assumptions used for financial accounting purposes were selected by the plan sponsor with our advice. In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are reasonably related to the experience of the Plan and to reasonable long-term expectations. The cost results and actuarial exhibits presented in this report were determined on a consistent and objective basis in accordance with applicable Actuarial Standards of Practice and generally accepted actuarial procedures. To the best of our knowledge, the information fairly presents the actuarial position of the State of Louisiana Postretirement Benefits Plan in accordance with the requirements of GASB Statement No. 75.

It is important to note that the measurement of postretirement medical obligations is extremely sensitive to the assumptions chosen. The results presented above and in more detail in the next sections are based upon one set of reasonable assumptions. Other sets of equally reasonable assumptions can yield materially lesser or greater obligations.



This report represents a statement of actuarial opinion by the undersigned actuary. Stephen Oates is an Associate of the Society of Actuaries, and a Member of the American Academy of Actuaries. He has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. This report has been prepared in accordance with all applicable Actuarial Standards of Practice and he is available to answer questions about it.

Respectfully submitted,

A handwritten signature in black ink that reads "Stephen Oates". The signature is fluid and cursive, with the first name "Stephen" and last name "Oates" clearly legible.

Stephen Oates, ASA, EA, MAAA  
Principal, Health & Productivity Actuary

Conduent HR Services

# Contents

<b>Summary – Included Agencies</b> .....	<b>1</b>
Total OPEB Liability .....	1
<b>GASB 75 Results – Included Agencies</b> .....	<b>2</b>
Schedules of Changes in Total OPEB Liability .....	2
Sensitivity of the Total OPEB Liability .....	3
GASB 75 OPEB Expense .....	3
Deferred Inflows and Outflows of Resources.....	4
<b>Summary – Excluded Agencies</b> .....	<b>5</b>
Total OPEB Liability .....	5
<b>GASB 75 Results – Excluded Agencies</b> .....	<b>6</b>
Schedules of Changes in Total OPEB Liability .....	6
Sensitivity of the Total OPEB Liability .....	7
GASB 75 OPEB Expense .....	7
Deferred Inflows and Outflows of Resources.....	8
<b>Actuarial Assumptions and Methods</b> .....	<b>9</b>
Economic Assumptions.....	9
Demographic Assumptions .....	12
<b>Summary of Plan Provisions</b> .....	<b>17</b>
<b>Summary of Participant Data – Included Agencies</b> .....	<b>22</b>
Active Participant Data.....	23
Inactive Participant Data .....	24
<b>Health Care Reform</b> .....	<b>25</b>
Health Care Reform .....	25
<b>Summary of Key Accounting Terms</b> .....	<b>26</b>
Summary of Key Accounting Terms .....	26

## Summary – Included Agencies

This section summarizes results for Primary Government, Component Units, and Fiduciary Funds of the State of Louisiana CAFR in total. Appendix A presents results by Agency, summarized into subtotals for Primary Government, Component Units, and Fiduciary Funds.

The results for the Excluded Agencies are summarized later in this report, using the same assumptions and plan provisions as documented for all other agencies.

To the extent that Agencies offer subsidies to their employees that differ from those documented in this report, these results do not reflect these differences and may not be suitable for financial reporting.

### Plan membership:

Membership Status as of July 1, 2017	Medical <sup>[1]</sup>	Life Insurance
Inactive plan members currently receiving benefits	34,780	26,342
Spouses of Inactive plan members currently receiving benefits	10,847	9,371
Inactive plan members entitled to but not yet receiving benefits	N/A	N/A
Active plan members	<u>44,383</u>	<u>52,211</u>
Total	90,010	87,924

[1] Participants with current LSU medical coverage are not included in this valuation.

The State of Louisiana funds the Plan on a pay-as-you-go basis.

### Total OPEB Liability

The components of the total OPEB liability are as follows	(in 1,000s)
Total OPEB liability	\$8,690,978



## GASB 75 Results – Included Agencies

### Schedules of Changes in Total OPEB Liability

Change in Total OPEB Liability	Total OPEB Liability
Total OPEB liability at beginning of year	\$ 9,073,181
Service cost	246,230
Interest	248,708
Changes of benefit terms	
Differences between expected and actual experience	0
Changes of assumptions or other input	(591,241)
Benefit payments	<u>(285,900)</u>
Net changes	<u>(382,203)</u>
Total OPEB liability at end of year	\$ 8,690,978

**A. Benefit changes:** None.

**B. Changes of assumptions:** The discount rate changed from 2.71% as of July 1, 2016 to 3.13% as of July 1, 2017.

The July 1, 2017 total OPEB liability was determined by an actuarial valuation as of that date.

The July 1, 2016 total OPEB liability was determined based on a roll back of the same valuation, assuming no experience gains or losses.

## Sensitivity of the Total OPEB Liability

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
Total OPEB liability	\$ 10,204,957	\$ 8,690,978	\$ 7,496,612

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 7,490,741	\$ 8,690,978	\$ 10,228,757

## GASB 75 OPEB Expense

Components of OPEB Expense for the Fiscal Year Ended June 30, 2018	
Service cost	\$ 246,230
Interest on the total OPEB liability and net cash flow	248,708
Projected earnings on OPEB plan investments	0
Current period effect of benefit changes	0
Current period difference between expected and actual experience	0
Current period effect of changes in assumptions or other input	(131,973)
Current period recognition of prior years' deferred outflows of resources	0
Current period recognition of prior years' deferred inflows of resources	0
<b>Total OPEB expense</b>	<b>\$ 362,965</b>

## Deferred Inflows and Outflows of Resources

Following are the details of the recognized and deferred inflows and outflows of resources.

Fiscal Year Ending	2017	Outflows	Inflows	Total
Amount established	\$ (591,241)			
Recognition Period	4.48			
Description	Change in Assumptions or Other Inputs			
Amount recognized in FY				
2018	\$ (131,973)	\$ -	\$ (131,973)	\$ (131,973)
2019	(131,973)	-	(131,973)	(131,973)
2020	(131,973)	-	(131,973)	(131,973)
2021	(131,973)	-	(131,973)	(131,973)
2022	(63,349)	-	(63,349)	(63,349)
2023	-	-	-	-
Deferred Balance at 6/30				
2018	\$ (459,268)	\$ -	\$ (459,268)	\$ (459,268)
2019	(327,295)	-	(327,295)	(327,295)
2020	(195,322)	-	(195,322)	(195,322)
2021	(63,349)	-	(63,349)	(63,349)
2022	-	-	-	-

The average of the expected remaining service lives of all employees that are provided with benefits through the plan (active and inactive employees) determined at July 1, 2017 is 4.48 years.

## Summary – Excluded Agencies

This section summarizes results for Excluded Agencies. Excluded agencies are those agencies excluded from the State of Louisiana CAFR. Appendix B presents results by Agency for the Excluded Agencies, using the same assumptions and plan provisions as documented for all other agencies.

To the extent that Agencies offer subsidies to their employees that differ from those documented in this report, these results do not reflect these differences and may not be suitable for financial reporting.

### Plan membership:

Membership Status as of July 1, 2017	Medical <sup>[1]</sup>	Life Insurance
Inactive plan members currently receiving benefits	21,568	13,646
Spouses of Inactive plan members currently receiving benefits	6,306	3,981
Inactive plan members entitled to but not yet receiving benefits	N/A	N/A
Active plan members	<u>32,194</u>	<u>32,196</u>
Total	60,068	49,823

[1] Participants with current LSU medical coverage are not included in this valuation.

The State of Louisiana funds the Plan on a pay-as-you-go basis.

### Total OPEB Liability

The components of the total OPEB liability are as follows	(in 1,000s)
Total OPEB liability	\$5,437,736

## GASB 75 Results – Excluded Agencies

### Schedules of Changes in Total OPEB Liability

Change in Total OPEB Liability	Total OPEB Liability
Total OPEB liability at beginning of year	\$ 5,625,442
Service cost	190,582
Interest	155,413
Changes of benefit terms	
Differences between expected and actual experience	0
Changes of assumptions or other input	(370,163)
Benefit payments	<u>(163,538)</u>
Net changes	<u>(187,706)</u>
Total OPEB liability at end of year	\$ 5,437,736

**A. Benefit changes:** None.

**B. Changes of assumptions:** The discount rate changed from 2.71% as of July 1, 2016 to 3.13% as of July 1, 2017.

The July 1, 2017 total OPEB liability was determined by an actuarial valuation as of that date.

The July 1, 2016 total OPEB liability was determined based on a roll back of the same valuation, assuming no experience gains or losses.

## Sensitivity of the Total OPEB Liability

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
Total OPEB liability	\$ 6,384,347	\$ 5,437,736	\$ 4,687,931

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 4,651,313	\$ 5,437,736	\$ 6,452,560

## GASB 75 OPEB Expense

Components of OPEB Expense for the Fiscal Year Ended June 30, 2018	
Service cost	\$ 190,582
Interest on the total OPEB liability and net cash flow	155,413
Projected earnings on OPEB plan investments	0
Current period effect of benefit changes	0
Current period difference between expected and actual experience	0
Current period effect of changes in assumptions or other input	(68,045)
Current period recognition of prior years' deferred outflows of resources	0
Current period recognition of prior years' deferred inflows of resources	0
<b>Total OPEB expense</b>	<b>\$ 277,950</b>

## Deferred Inflows and Outflows of Resources

Following are the details of the recognized and deferred inflows and outflows of resources.

Fiscal Year Ending	2017	Outflows	Inflows	Total
Amount established	\$ (370,163)			
Recognition Period	5.44			
Description	Change in Assumptions or Other Inputs			
Amount recognized in FY				
2018	\$ (68,045)	\$ -	\$ (68,045)	\$ (68,045)
2019	(68,045)	-	(68,045)	(68,045)
2020	(68,045)	-	(68,045)	(68,045)
2021	(68,045)	-	(68,045)	(68,045)
2022	(68,045)	-	(68,045)	(68,045)
2023	(29,938)	-	(29,938)	(29,938)
2024	-	-	-	-
Deferred Balance at 6/30				
2018	\$ (302,118)	\$ -	\$ (302,118)	\$ (302,118)
2019	(234,073)	-	(234,073)	(234,073)
2020	(166,028)	-	(166,028)	(166,028)
2021	(97,983)	-	(97,983)	(97,983)
2022	(29,938)	-	(29,938)	(29,938)
2023	-	-	-	-
2024	-	-	-	-

The average of the expected remaining service lives of all employees that are provided with benefits through the plan (active and inactive employees) determined at July 1, 2017 is 5.44 years.

# Actuarial Assumptions and Methods

## Methods

### **Valuation Date**

July 1, 2017. The July 1, 2016 liability is based on a no gain/loss roll back of the valuation at this date.

### **Actuarial Cost Method**

Entry Age Normal, level percent of pay. Service Costs are attributed through all assumed ages of exit from active service. For current DROP participants, assumed exit from active service is the date at which DROP ends.

### **Asset Valuation**

N/A. Benefit payments are funded on a pay-as-you-go basis.

### **Miscellaneous**

The valuation was prepared on an on-going plan basis. This assumption does not necessarily imply that an obligation to continue the plan actually exists.

## Economic Assumptions

### **Discount Rate**

The discount rate used as of July 1, 2017 is 3.13% based on the June 30, 2017 S&P 20-year municipal bond index rate.

The discount rate used as of July 1, 2016 is 2.71% based on the June 30, 2016 S&P 20-year municipal bond index rate.

### **Consumer Price Index**

2.80%

### **Salary Increases**

Consistent with the pension valuation assumptions.

### **Life Insurance Coverage**

Future pre-65 retirees are assumed to elect a total of \$45,000 in basic life insurance and supplemental life insurance coverage. Spouses are assumed to elect \$2,000 of coverage.



### Assumed Trend

The combined effect of price inflation and utilization on gross eligible medical and prescription drug charges is according to the table below. The initial trend rate was developed using our National Health Care Trend Survey. The survey gathers information of trend expectations for the coming year from various insurers and pharmacy benefit managers. These trends are broken out by drug and medical, as well as type of coverage (e.g. PPO, HMO, POS). We selected plans that most closely match The State of Louisiana's benefits to set the initial trend. The ultimate trend is developed based on a building block approach which considers CPI, GDP, and Technology growth. The healthcare cost trend rates are shown below:

Year	Medical and Drug Pre-65	Medical and Drug Post-65
2017 – 2018	7.00%	5.50%
2018 – 2019	7.00%	5.50%
2019 – 2020	7.00%	5.50%
2020 – 2021	6.75%	5.25%
2021 – 2022	6.50%	5.00%
2022 – 2023	6.25%	4.75%
2023 – 2024	6.00%	4.50%
2024 – 2025	5.75%	4.50%
2025 – 2026	5.50%	4.50%
2026 – 2027	5.25%	4.50%
2027 – 2028	5.00%	4.50%
2028 – 2029	4.75%	4.50%
2029 +	4.50%	4.50%

Retiree contribution trend: Same as medical trend.

### Health Care Claim Cost

The expected per capita costs for this valuation were based on medical and prescription drug claims for retired participants for the period January 1, 2016 through December 31, 2017. The claims experience was trended to the valuation date. Per capita costs (PCCs) were adjusted for expected age-related differences in morbidity applicable to retirees, except for costs for the Via Benefits HRA plan, which provides a flat monthly subsidy. Details regarding the Age Morbidity Curve are found under Age-related Morbidity assumptions on the following page. The expected impact of the increase in Coverage Gap Brand Discounts from 50% to 70% in 2019 has been incorporated in the PCCs.

The table below indicates the assumed per capita costs normalized to male retiree age 65:

Plan	Without Medicare	With Medicare	Without Medicare	With Medicare
	Retirement date before 3/1/15		Retirement date after 3/1/15	
Medical Home HMO	17,565	4,120	17,045	4,045
People's MA HMO	N/A	2,477	N/A	2,477
Vantage MA HMO	N/A	2,172	N/A	2,172
Via Benefits HRA	N/A	2,400	N/A	2,400
BCBS Pelican HRA	11,802	3,303	11,802	3,303
BCBS Magnolia Local Plus	17,483	3,698	16,803	3,610
BCBS Magnolia Open Access	16,999	3,410	16,267	3,343

### Administrative Expenses

Included in medical and dental claim costs, 10% load for life insurance. The 10% load is consistent with industry standards and covers insurer administrative costs, premium taxes as well as insurer margin and profit.

### Age Related Morbidity

Per capita costs are adjusted to reflect expected cost differences due to age and gender. Age morbidity factors for pre-Medicare morbidity were developed from "Health Care Costs—From Birth to Death" sponsored by the Society of Actuaries and prepared by Dale H. Yamamoto (May 2013)<sup>1</sup>. Table 4 from Mr. Yamamoto's study formed the basis of Medicare morbidity factors that are gender distinct and assumed a cost allocation of 60% for pharmacy, 20% for inpatient, 10% for outpatient, and 10% for professional services. Adjustments were made to Table 4 factors for inpatient costs at age 70 and below to smooth out what appears to be a spike in utilization for Medicare retirees gaining healthcare for the first time through Medicare. While such retirees were included in the study, their specific experience is not applicable for a valuation of an employer retiree medical plan where participants had group active coverage before retirement. Morbidity factors at sample ages are shown below:

Age	Male Factor	Female Factor
50	0.4612	0.5736
55	0.6085	0.6667
60	0.7829	0.7791
65	1.0000	0.9438
70	1.1873	1.1094
75	1.2752	1.2009
80	1.3381	1.2697
85	1.3479	1.3171
90	1.3235	1.3303
95	1.3047	1.2765
100	1.2878	1.1701

<sup>1</sup> <https://www.soa.org/resources/research-reports/2013/research-health-care-birth-death/>  
The State of Louisiana Retiree Benefits Trust

## Demographic Assumptions

### Basis for Assumptions

We relied upon the pension plans covering the same participants for the retirement, termination, disability, and salary scale assumptions.

### Mortality

For healthy lives the RP-2014 Combined Healthy Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017

For existing disabled lives, the RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017.

### Retirement

#### LASERS

Age	Regular Members Years of Service				
	<10	10-19	20-24	25-49	30+
55	0%	0%	8%	55%	30%
60	10%	33%	55%	30%	24%
65	25%	24%	25%	25%	25%
66	25%	16%	25%	20%	30%
67	25%	23%	30%	18%	35%
68	25%	23%	10%	18%	20%
69	25%	23%	25%	40%	20%
70-74	75%	23%	25%	35%	25%
75+	100%	100%	100%	100%	100%

Age	Judicial Years of Service			Corrections Years of Service		Wildlife Years of Service	
	<15	15-19	<25	<25	25+	<25	25+
55	5%	20%	10%	30%	35%	30%	35%
60	10%	2%	8%	45%	50%	45%	50%
65	50%	10%	6%	35%	50%	35%	50%
66	10%	10%	11%	35%	50%	35%	50%
67	10%	10%	10%	35%	50%	35%	50%
68	10%	10%	10%	35%	50%	35%	50%
69	10%	10%	10%	35%	50%	35%	50%
70	10%	10%	10%	50%	50%	50%	50%
71-74	5%	40%	40%	50%	50%	50%	50%
75+	100%	100%	100%	100%	100%	100%	100%

**TRSL**

Age	Years of Service		
	<25	25-29	30+
50	3%	5%	30%
55	15%	75%	30%
60	25%	30%	20%
65	20%	20%	30%
70	20%	30%	40%
74	20%	30%	25%

**LSERS**

Hired Before 7/1/2010

Age	
47	80%
48	70%
49-53	55%
54-57	37%
58	45%
59-60	30%
61-73	25%
74	99%
75+	100%

Hired Between 7/1/2010 and 6/30/2015

Age	
59	0%
60	48%
61-73	25%
74	99%
75+	100%

Hired after 6/30/2015

Age	
61	0%
62	48%
63-73	25%
74	99%
75+	100%

**LSPRS**

Age	
42	0%
43-49	10%
50-56	25%
57-62	50%
63-74	99%
75+	100%

**Disability Rates (sample ages)**

Age	TRSL	LASERS	LSERS	LSPRS
40	0.11%	0.04%	0.20%	0.20%
45	0.22%	0.22%	0.30%	0.20%
50	0.25%	0.28%	0.50%	0.20%
55	0.40%	0.36%	0.70%	0.20%
60	0.55%	0.00%	0.30%	0.20%

**Termination Rates (sample ages)**

**LASERS**

The rate of withdrawal is based on the withdrawal assumption used in the 2016 Louisiana State Employees' Retirement System Actuarial Valuation.

Regular:

Age	Years of Service								
	<1	1	2-3	4-5	6	7	8	9	10+
20	45.0%	30.0%	22.0%	14.0%	10.0%	8.0%	7.0%	6.0%	5.0%
30	29.0%	19.20%	17.0%	10.8%	10.0%	8.0%	7.0%	6.0%	5.0%
40	26.50%	16.20%	11.0%	8.8%	10.0%	8.0%	7.0%	6.0%	5.0%
45	24.0%	14.7%	8.0%	7.8%	8.0%	7.0%	6.0%	5.0%	4.0%
50	21.5%	13.20%	8.0%	6.8%	8.0%	7.0%	6.0%	5.0%	4.0%
55	19.0%	11.70%	8.0%	5.8%	8.0%	7.0%	6.0%	5.0%	4.0%
60	16.5%	10.20%	8.0%	4.8%	8.0%	7.0%	6.0%	5.0%	4.0%

Judicial:

DUR	
0	0.0%
1	3.0%
2	4.0%
3	3.0%
4	2.0%
5+	1.0%

Wildlife:

DUR	
0-3	8.0%
4-5	5.0%
6+	3.0%

Corrections and Hazardous Duty:

DUR	Years of Service	
	<10	10+
0-19	50.0%	0.0%
20	46.0%	0.0%
21	42.0%	0.0%
22	38.0%	0.0%
23	35.0%	10.0%
24	32.0%	10.0%
25	29.0%	10.0%
26	27.0%	10.0%
27	25.0%	10.0%
28	23.0%	10.0%
29	21.0%	10.0%
30-32	20.0%	10.0%

**TRSL**

The rate of withdrawal is based on the withdrawal assumption used in the 2016 Teachers' Retirement System of Louisiana Actuarial Valuation.

Age	Years of Service			
	<=1	2	3	>=4
20	20.0%	20.0%	9.5%	18.0%
30	19.0%	12.0%	10.9%	5.3%
40	16.5%	12.3%	9.0%	3.7%
45	16.3%	9.9%	9.0%	4.0%
50	17.5%	11.2%	9.0%	4.0%
55	17.5%	10.6%	9.0%	4.0%
60	20.0%	10.6%	9.0%	4.0%

**LSERS**

The rate of withdrawal is based on the withdrawal assumption used in the 2016 Louisiana School Employees' Retirement System Actuarial Valuation.

Age	
20	15.0%
30	10.0%
35	7.0%
40	6.5%
45	4.5%
50+	4.0%

**LSPRS**

The rate of withdrawal is based on the withdrawal assumption used in the 2016 Louisiana State Police Retirement System Actuarial Valuation.

Age	
20-30	2.5%
31-37	2.0%
38-42	1.5%
43-60	1.0%
61+	0.0%

### Participation Rate

The percentage of employees and their dependents who are eligible for early retiree benefits that will participate in the retiree medical plan is outlined in the table below. This assumes that a one-time irrevocable election to participate is made at retirement. Retirees are assumed to participate in the life insurance benefit at a 52% rate. It is assumed that future retirees will continue their current life insurance coverage, if any. Active participants who have been covered continuously under the OGB medical plan since before January 1, 2002 are assumed to participate at a rate of 93%.

Years of Service	Participation %
<10	56%
10-14	78%
15-19	90%
20+	93%

### Plan Election Percentage

Current retirees are assumed to remain in their current plan. Future retirees are assumed to elect coverage based on the coverage elections of current retirees, as follows:

Medical Plan	Pre-Medicare %	Medicare %
BCBS Pelican HRA	5%	
BCBS Magnolia LP	75%	40%
BCBS Magnolia OA	20%	50%
People's MA HMO		5%
Vantage MA HMO		5%

### Dependents

Actual data was used for spouses of current retirees. Of those future retirees electing coverage at retirement, 35% are assumed to be married at time of retirement and elect to cover their spouse in the same medical arrangement that they have elected. Husbands are assumed to be three years older than their wives. No divorce or remarriage after widowhood was reflected.

### Medicare Eligibility

All future retirees are assumed to be eligible for Medicare at age 65. 95% of retirees under age 65 at 7/1/2017 are assumed to be eligible for Medicare upon turning age 65. 95% of retirees ages 65 to 68 not currently designated with Medicare coverage are assumed to become eligible for Medicare. Retirees over age 68 are valued according to their reported Medicare status. All spouses are assumed to be Medicare eligible.

### DROPS

Current DROPS are valued using actual DROP end dates.

# Summary of Plan Provisions

## Eligibility

An active employee, covered by the active health plan immediately prior to retirement, is eligible for lifetime retiree medical and life insurance benefits for the retiree and spouse if he or she retires under a Statewide Retirement System (State, Teachers, Schools and Police).

State Retirement Plan	Normal Retirement (Age & Service Requirements)
Alcohol and Tobacco Control	60 & 10 or 25 yos
Appellate law clerk	65 & 10 or 55 & 12 or age 70 or 18 yos
Bridge employees	60 & 10 or 25 yos
Correctional (hired before 12/31/2001)	60 & 10 or 50 & 20 or 25 yos
Correctional 2 (hired after 12/31/2001)	60 & 10 or 25 yos
Hazardous duty	55 & 12 or 25 yos
Judicial (hired before 1/1/2011)	65 & 10 or 55 & 12 or age 70 or 18 yos
Judicial 2 (hired between 1/1/2011 and 6/30/2015)	60 & 5
Judicial 3 (hired after 6/30/2015)	62 & 5
Legislator	55 & 12 or 50 & 20 or 16 yos
Police officer	60 & 10 or 55 & 25 or 30 yos
Regular Employee (hired before 7/1/2006)	60 & 10 or 55 & 25 or 30 yos
Regular Employee 2 and 3 (hired after 7/1/2006)	60 & 5
Regular Employee 4 (hired after 7/1/2015)	62 & 5
Special legislative employees	65 & 10 or 55 & 12 or 50 & 20 or 16 yos
Wildlife officer (hired before 7/1/2003)	55 & 10 or 20 yos
Wildlife officer 2 (hired after 7/1/2003)	60 & 10 or 25 yos
<b>Teachers Retirement Plan</b>	
Hired before 7/1/1999	65 & 20 or 55 & 25 or 30 yos
Hired between 7/1/1999 and 1/1/2011	60 & 5 or 55 & 25 or 30 yos
Hired between 1/1/2011 and 7/1/2015	60 & 5
Hired after 7/1/2015	62 & 5
<b>School Retirement Plan</b>	
Hired before 7/1/2010	60 & 10 or 55 & 25 or 30 yos
Hired between 7/1/2010 and 7/1/2015	60 & 5
Hired after 7/1/2015	62 & 5
<b>Police Retirement Plan</b>	
Hired before 1/1/2011	50 & 10 or 25 yos
Hired after 1/1/2011	55 & 12 or 25 yos

Early Retirement: The State offers reduced retirement at 20 years of service at any age for all groups except Correctional secondary and Wildlife Officers.



**Medical Benefits**

Retirees under age 65 can elect coverage under the following plans:

- ) BCBS Pelican HRA
- ) BCBS Magnolia Local/Local Plus
- ) BCBS Magnolia Open Access
- ) Vantage Medical Home HMO

Retirees over age 65 can elect coverage under the following plans:

- ) BCBS Pelican HRA
- ) BCBS Magnolia Local/Local Plus
- ) BCBS Magnolia Open Access
- ) Vantage Medical Home HMO
- ) Vantage Zero-Premium HMO
- ) People's Medicare Advantage HMO
- ) Vantage Medicare Advantage HMO (Premium/Standard/Basic)
- ) Via Benefits HRA

**Retired prior to March 1, 2015:**

Magnolia Local Plus	Non-Medicare and Medicare Retirees	
	In Network	Out of Network
Deductible	\$0	No Coverage
Out of Pocket Max		
Employee Only	\$2,000	
Family (EE + 2 dependents)	\$4,000	
Coinsurance	N/A	
Physicians' Services	\$25 PCP / \$50 Spec	
Hospital Services	\$100 per day; max \$300 per admission	

Magnolia Open Access	Non-Medicare Retirees		Medicare Retirees
	In Network	Out of Network	In and Out of Network
Deductible	\$300 (\$900 Family)	\$300 (\$900 Family)	\$300 (\$900 Family)
Out of Pocket Max			
Employee Only	\$2,300	\$4,300	\$3,300
Family (EE + 2 dependents)	\$4,900	\$10,300	\$7,900
Coinsurance	90%	70%	80%
Physicians' Services	90% Coverage	70% Coverage	80% Coverage
Hospital Services	90% Coverage	70% Coverage and \$50 per day copay (days 1 - 5)	80% Coverage

Vantage Medical Home HMO	Non-Medicare and Medicare Retirees	
	In Network	Out of Network
Deductible	\$0	\$1,500 (\$4,500 Family)
Out of Pocket Max Employee Only Family (EE + 2 dependents)	\$2,000 \$4,000	No Max
Coinsurance	N/A	50%
Physicians' Services	\$10 PCP / \$35 Spec	50% Coverage
Hospital Services	\$50 per day; max \$150 per admission	50% Coverage

**Retiring on or after March 1, 2015:**

Magnolia Local Plus	Non-Medicare and Medicare Retirees	
	In Network	Out of Network
Deductible	\$400 (\$1,200 Family)	No Coverage
Out of Pocket Max Employee Only Family (EE + 2 dependents)	\$3,500 \$8,500	
Coinsurance	N/A	
Physicians' Services	\$25 PCP / \$50 Spec	
Hospital Services	\$100 per day; max \$300 per admission	

Magnolia Open Access	Non-Medicare Retirees		Medicare Retirees	
	In Network	Out of Network	In Network	Out of Network
Deductible	\$900 (\$2,700 Family)	\$900 (\$2,700 Family)	\$900 (\$2,700 Family)	\$900 (\$2,700 Family)
Out of Pocket Max Employee Only Family (EE + 2 depts)	\$3,500 \$8,500	\$4,700 \$12,250	\$3,500 \$8,500	\$4,700 \$12,250
Coinsurance	90%	70%	80%	80%
Physicians' Services	90% Coverage	70% Coverage	80% Coverage	80% Coverage
Hospital Services	90% Coverage	70% Coverage and \$50 per day copay (days 1 - 5)	80% Coverage	80% Coverage and \$50 per day copay (days 1 - 5)

Vantage Medical Home HMO	Non-Medicare and Medicare Retirees	
	In Network	Out of Network
Deductible	\$400 (\$1,200 Family)	\$1,500 (\$4,500 Family)
Out of Pocket Max Employee Only	\$3,500	No Max
Family (EE + 2 dependents)	\$8,500	
Coinsurance	N/A	50%
Physicians' Services	\$10 PCP / \$ 35 Spec	50% Coverage
Hospital Services	\$50 per day; max \$150 per admission	50% Coverage

### Monthly Contribution

Retirees with continuous OGB medical coverage starting before January 1, 2002 pay approximately 25% of the cost of coverage in retirement.

Employees with an OGB medical participation start (or re-start) date after December 31, 2001 pay a percentage of the total retiree contribution rate based on the following schedule:

OGB Participation	Retiree Share	State Share
Under 10 years	81%	19%
10-14 years	62%	38%
15-19 years	44%	56%
20+ years	25%	75%

Monthly rates effective January 1, 2018 are:

Medical Plan	Active Single	Pre-Medicare Member			Medicare Member		
		Member Only	Pre-65 Spouse	Medicare Spouse	Member Only	Pre-65 Spouse	Medicare Spouse
Vantage Med Home HMO	\$671	\$1,252	\$959	\$262	\$414	\$1,100	\$328
People's MA HMO	N/A	N/A	N/A	\$250	\$250	N/A	\$250
Vantage MA HMO	N/A	N/A	N/A	\$210	\$210	N/A	\$210
BCBS Pelican HRA	\$422	\$785	\$601	\$158	\$255	\$688	\$204
BCBS Magnolia Local Plus	\$676	\$1,261	\$966	\$264	\$417	\$1,108	\$331
BCBS Magnolia OA	\$702	\$1,307	\$1,001	\$263	\$425	\$1,145	\$339

For purposes of this valuation, the above amounts were trended back 6 months to the valuation date.

**Life Insurance Benefits:**

	<b>Basic</b>	<b>Supplemental Maximum</b>
Under age 65	\$5,000	\$50,000
Ages 65-70	\$4,000	\$38,000
After age 70	\$3,000	\$25,000

**Age Reductions:**

In force life insurance amounts are reduced to 75% of the initial value at age 65 and to 50% of the original amount at age 70.

Spouse life insurance amounts of \$1,000, \$2,000 or \$4,000 are available.

**Retiree Cost Share**

Retiree pays \$0.54 monthly for each \$1,000 of life insurance

Retiree pays \$0.98 monthly for each \$1,000 of spouse life insurance

## Summary of Participant Data – Included Agencies

The following tables summarize the valued participants:

Retirement System	Active	Retired <sup>1</sup>
<b>LASERS</b>	<b>35,483</b>	<b>34,513</b>
Appellate law clerk	97	38
Appellate law clerk 2	22	0
Alcohol and Tobacco Control	11	5
Bridge employees	4	1
Bridge employees 2	1	0
Correctional	237	1,105
Correctional 2	1,686	696
Hazardous duty	1,834	71
Judicial	51	50
Judicial 2	3	0
Judicial 3	1	0
Legislator	5	43
Police office	47	38
Regular Employee	17,715	32,152
Regular Employee 2	4,598	114
Regular Employee 3	5,287	13
Regular Employee 4	3,725	1
Special legislative employees	2	1
Wildlife officer	0	96
Wildlife officer 2	157	89
<b>TRSL</b>	<b>15,648</b>	<b>8,014</b>
<b>LSERS</b>	<b>45</b>	<b>92</b>
<b>LSPRS</b>	<b>1,035</b>	<b>842</b>
<b>Total</b>	<b>52,211</b>	<b>43,461</b>

Medical Plan	Active	Retired <sup>1</sup>
Vantage Medical Home HMO	1,291	328
Vantage Zero-Prem HMO	0	65
People's MA HMO	0	1,136
Vantage MA HMO	0	676
Via Benefits HRA	0	394
LSU HMO <sup>2</sup>	7,828	3,087
BCBS Pelican HRA/HSA	4,316	816
BCBS Magnolia Local/Local Plus	34,477	18,293
BCBS Magnolia Open Access	2,576	13,072
Waived	1,723	5,594
<b>Total</b>	<b>52,211</b>	<b>43,461</b>

<sup>1</sup>Retiree counts include disabled retirees and surviving spouses.

<sup>2</sup>Medical plan liabilities for LSU participants were not included in this valuation, as LSU is responsible for their liabilities.

## Active Participant Data

The following table shows a distribution of age and credited service for retirement eligibility for all active employees as of the valuation date:

Age	Credited Service for Eligibility to Retire							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
Under 40	10,770	3,488	2,304	582	33	0	1	<b>17,178</b>
40-44	1,857	1,248	1,449	1,370	446	21	0	<b>6,391</b>
45-49	1,555	1,062	1,318	1,457	1,334	478	6	<b>7,210</b>
50-54	1,291	974	1,152	1,193	1,181	1,319	215	<b>7,325</b>
55-59	930	869	1,076	1,083	1,156	1,114	428	<b>6,656</b>
60-64	543	611	804	800	756	648	402	<b>4,564</b>
65-69	155	272	368	318	281	282	264	<b>1,940</b>
70-74	42	71	144	118	91	107	153	<b>726</b>
75-79	12	14	32	37	23	22	39	<b>179</b>
80-84	1	1	4	5	3	4	16	<b>34</b>
85 & Over	0	0	1	0	0	2	5	<b>8</b>
<b>Total</b>	<b>17,156</b>	<b>8,610</b>	<b>8,652</b>	<b>6,963</b>	<b>5,304</b>	<b>3,997</b>	<b>1,529</b>	<b>52,211</b>

The following table summarizes average OGB participation service and credited pension service for active employees by retirement system:

Retirement System	OGB Years	Credited Pension Service
LASERS	9.7	12.3
TRSL	8.8	10.4
LSERS	10.4	15.1
LSPRS	13.1	15.2

## Inactive Participant Data

The retiree and covered spouse counts are summarized below:

Age	Retirees	Covered Spouses
Under 40	12	33
40-44	59	70
45-49	309	236
50-54	1,199	599
55-59	3,927	1,403
60-64	7,254	2,237
65-69	9,178	2,570
70-74	7,741	2,265
75-79	5,724	1,595
80-84	4,149	814
85 & Over	3,909	371
<b>Total</b>	<b>43,461</b>	<b>12,193</b>

Retirees and spouses with medical coverage (excluding LSU) totaled 34,780 and 10,847 respectively.

Retirees with life insurance coverage are summarized below:

Retirees with Life Insurance	
Count	26,342
Total Life Coverage (in force) (thousands)	\$767,772

# Health Care Reform

## Health Care Reform

Health care delivery is going through a revolution due to the enactment of Health Care Reform. The Patient Protection and Affordable Care Act (PPACA), was signed March 23, 2010, with further changes enacted by the Health Care and Education Affordability Reconciliation Act (HCEARA), signed March 30, 2010. This valuation uses various assumptions that were modified based on considerations under Health Care Reform legislation. This Section discusses particular legislative changes that were reflected in our assumptions. We have not identified any other specific provision of Health Care Reform that would be expected to have a significant impact on the measured obligation.

### **Medicare Part D Subsidy - Shrinking Medicare Prescription Drug “Donut Hole”- Starting 1/1/2011**

The State of Louisiana no longer collects RDS due to the adoption of the EGWP approach for delivery of Medicare Rx benefits. The phase in of the donut hole benefits has been reflected in setting the estimate for EGWP subsidy amounts.

### **Cadillac Tax (High Cost Plan Excise Tax)**

Health Care Reform includes various revenue raisers. One of the more complex revenue raisers is the High Cost Plan Excise Tax, also known as the Cadillac Tax. While its stated intent is to tax only high cost plans that provide what might be considered “Cadillac” benefits, as legislated, it is likely to have much broader impact. The tax limits above which the benefits are taxed increase only at Chained CPI (assumed to be 2.52% in this valuation), while we continue to assume that health care costs will increase faster, reflecting real growth in GDP and technology innovations. Given that assumption, any health benefit, no matter how frugal initially, will ultimately be assumed to cost more than the limit resulting in a tax. We assume that the cost of any Cadillac tax will be included in the form of higher premiums, and have estimated the impact by use of a higher “loaded” trend rate assumption for premiums that apply up to the maximum reimbursement amounts. This resulted in an approximate increase of 3.3% to liabilities. On January 22, 2018, the Budget Continuing Resolution was signed. This resolution deferred the application of the Cadillac tax from 2020 to 2022. This delay has been reflected in the measurement of the benefit obligation.

### **Other**

We have not identified any other specific provision of health care reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.



# Summary of Key Accounting Terms

## Summary of Key Accounting Terms

### **Actuarially determined contribution**

A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

### **Actuarial present value of projected benefit payments**

Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

### **Actuarial valuation**

The determination, as of a point in time (the actuarial valuation date), of the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.

### **Actuarial valuation date**

The date as of which an actuarial valuation is performed.

### **Ad hoc postemployment benefit changes**

Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.

### **Automatic postemployment benefit changes**

Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the OPEB plan) or to another variable (such as an increase in the consumer price index).

### **Covered-employee payroll**

The payroll of employees that are provided with OPEB through the OPEB plan.

**Discount rate**

The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

- a. The actuarial present value of benefit payments projected to be made in future periods in which (1) the amount of the OPEB plan's fiduciary net position is projected (under the requirements of this Statement) to be greater than the benefit payments that are projected to be made in that period and (2) OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on OPEB plan investments
- b. The actuarial present value of projected benefit payments not included in (a), calculated using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

For defined benefit OPEB that is provided through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of this Statement, the discount rate is equal to the municipal bond rate.

**Entry age actuarial cost method**

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the Actuarial accrued liability.

**Healthcare cost trend rates**

The rates of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

**Inactive employees**

Individuals no longer employed by an employer in the OPEB plan, or the beneficiaries of those individuals. Inactive employees include individuals who have accumulated benefits under the terms of an OPEB plan but are not yet receiving benefit payments and individuals currently receiving benefits.

**Measurement period**

The period between the prior and the current measurement dates.

**Net OPEB liability**

The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of this Statement.

**Other postemployment benefits (OPEB)**

Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.

**Projected benefit payments**

All benefits (including refunds of employee contributions) estimated to be payable through the OPEB plan (including amounts to be paid by employers or non-employer contributing entities as the benefits come due) to current active and inactive employees as a result of their past service and their expected future service.

**Real rate of return**

The rate of return on an investment after adjustment to eliminate inflation.

**Service costs**

The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.

**Total OPEB liability**

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of this Statement. The total OPEB liability is the liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of this Statement.