N E W S R E L E A S E

For Immediate Release

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LEGISLATIVE CHAIRMEN ADDRESS COLAS

The chairmen of the House and Senate committees on Retirement sent the following letter to the legislative leadership today concerning the awarding of cost-of-living adjustments (COLAs) for retirees and beneficiaries of the Louisiana State Employees' Retirement System (LASERS) and the Teachers' Retirement System of Louisiana (Teachers').

Dear Speaker Tucker and President Chaisson:

As presiding officers of the legislature, you are in receipt of letters from the Louisiana State Employees' Retirement System (LASERS) and the Teachers' Retirement System of Louisiana (Teachers') regarding cost-of-living adjustments (COLAs) for the retirees and beneficiaries of those systems. The letters refer to the balances in the systems' respective experience accounts and indicate that the amount of a COLA payable from each account is limited by the Consumer Price Index (CPI).

Because the letters were sent to you before the end of last year, they preceded the release of the December 2008 price increase calculations to which the amount of a possible COLA is tied. The applicable CPI for a COLA payable this year is 0.1%.

To put this in perspective, it may help to know that the average annual benefit for LASERS is $18,300 and for Teachers' is $21,400. A COLA of 0.1% would mean an annual increase of $18.30 and $21.40, respectively, amounting to just $1.53 and $1.78 monthly. Once federal income taxes are withheld and social security offsets are applied, the average retiree would see little or no increase in his or her pension payment.

The retirement committees have met twice during the interim to receive education and information regarding COLAs for retirees of public retirement systems. Additionally, two meetings regarding the impact of the current market volatility on the retirement systems' assets were held. Staff is keeping us up-to-date on the effect this will have on all stakeholders in the systems, including employees, employers, taxpayers, retirees, and beneficiaries.

We are mindful of the legislature's constitutional duty to maintain the actuarial soundness of the state's public retirement systems and are keenly aware that the taxpayer is the ultimate guarantor of the

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retirement benefits for employees of the state and of the public school systems. Our positions as chairmen of the retirement committees make us ex officio members of the LASERS and Teachers' boards of trustees. As such, we must strike a dynamic balance between deciding what is best for the state and what is best for individual groups of retirees, while safe-guarding the benefits already promised to system members and retirees.

At a time when active members of these systems are facing possible furloughs and taxpayers in the private sector are uncertain about their ability to afford to retire, and giving due consideration to the increase in the applicable CPI of a meager 0.1%, we have concluded that our fiduciary responsibility leaves us only one choice. As chairmen, we will not sponsor or support any legislation during the 2009 Regular Session to grant a regular COLA for either LASERS or Teachers'.

You may hear from some groups that the money in the experience accounts will "disappear" if not "spent" by the awarding of COLAs. Such a statement reflects what occurred in the early 2000s before the experience account statute was overhauled; however, this statement does not fully reflect current law.

At the end of this fiscal year, each experience account will be debited for its proportionate share of any investment losses just as the accounts will share in any future investment gains. This keeps the rest of the trust fund from subsidizing losses attributable to the monies in the account. Otherwise, the losses would be borne by the employer state agencies and school boards, charged as an additional cost to the general fund, and therefore to the taxpayers.

Further, as redesigned in 2004, the experience accounts no longer share in what is known as "experience loss" and the accounts cannot fall below zero. This protects the accounts from being reduced as drastically as in the past in times of market downturn and allows the bulk of the principal to remain in the account until a time in the future when a meaningful COLA can be paid.

We and our committee members remain committed to preserving the purchasing power of all Louisiana's seniors, including retired teachers and state employees. Information received in our interim meetings has revealed the weaknesses in the current plan design for determining when a COLA is permissible and the amount of a COLA. There is no provision for regular, dependable COLAs in any of the state or statewide retirement systems. The present situation drives the point home.

It is our intent to continue inquiry into this issue during the regular session and if necessary into the 2009-2010 interim. Ultimately, we expect this focus to result in a better plan design to provide regular, meaningful COLAs.

Sincerely,

Representative Joel C. Robideaux
Chairman
House Committee on Retirement

Senator D.A. "Butch" Gautreaux
Chairman
Senate Committee on Retirement

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