



8401 United Plaza Boulevard
Baton Rouge, LA 70809
225-925-6446

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Contact: Lisa Honore, Ph.D.
Public Information Director
225-925-6109

TRSL response to Pew Center report

Baton Rouge – A recent report by the Pew Center discussed funding for public retirement and pension systems throughout the country, including Louisiana. The Pew report affirms that pensions are effective in providing a reliable source of retirement income and providing a key tool in the recruitment and retention of qualified employees for public employers. The Pew Center also points out that some states have been disciplined about funding their retirement obligations.

The Pew report finds that Louisiana is one of the top 10 states in paying the actuarially required contributions to its pension systems and has a five-year average that exceeds 100%. In fact, in the last 20 years, Louisiana has taken significant and meaningful steps to increase TRSL's funding status and ensure sustainability, including the following:

- Louisiana voters approved a constitutional amendment in 1987 requiring TRSL and all state and statewide systems in Louisiana to be funded on an actuarially sound basis through calculations designed to fully fund the cost of pension benefits and pay off unfunded liabilities. Prior to this, the state had been granting TRSL benefits without requiring the necessary member and employer contributions to fund pensions.
- In 2007, constitutional provisions were added, creating fiscal safeguards with respect to granting new benefits in Louisiana state systems. No new retirement benefits can be granted without identifying a funding source that will pay off the cost within 10 years.
- Last year, the legislature passed Act 497 which re-amortized the unfunded liabilities and dedicated a substantial portion of excess investment returns to those liabilities as additional payments.

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While the Pew report stated that Louisiana falls short of the recommended 80 percent funding-level for pension systems, this finding does not acknowledge that pursuant to State law changes, TRSL has continued to make significant progress in attaining a fully funded status and that there is no danger of a benefit default by ignoring the fundamental fact that all pension liabilities are not immediately payable. In defined benefit pension plans, like the one administered by TRSL, retirement benefits are generally funded over a person's working career. The member and employer make contributions to the system. These funds are pooled, invested, and used to pay retirement benefits.

The Pew report concludes, in part, that "states that are meeting their commitments have demonstrated that public sector retirement benefits can be adequately funded during good and bad times, with care taken to identify the long-term costs of short term decisions." Louisiana is such a state.

A disciplined approach to funding pensions requires long-range planning, not short-term policy decisions with potentially harmful consequences. Defined benefit plans have proven to be both workable and affordable. Studies continue to document that defined benefit plans provide the best value for a secure retirement income of all retirement savings vehicles currently available in the United States.

As the Pew Center recognizes, it is these public sector retirement benefits that provide a reliable source of post-employment income for retired public servants, and play an important role in enabling public employers to attract and retain qualified workers. TRSL provides steady, monthly incomes to more than 62,000 retirees and beneficiaries, giving them buying power in their communities. TRSL paid more than \$1.2 billion to retirees and beneficiaries living in Louisiana last year.

Louisiana should be commended for taking the necessary action to ensure the pensions for its public servants remain secure. Furthermore, TRSL will continue to work with the legislature and all stakeholders to encourage thoughtful and relevant conversations about protecting the soundness of the state's pension systems.