

SENATOR WALTER J. BOASSO - RETIREMENT LEGISLATION

Who should be for SB7 and SB305?

TAXPAYER



MEMBER OF
THE
RETIREMENT
SYSTEM

... LEGISLATOR who is ready to assist their constituency by addressing the financial crisis now and not mortgaging our children's future with this burden.

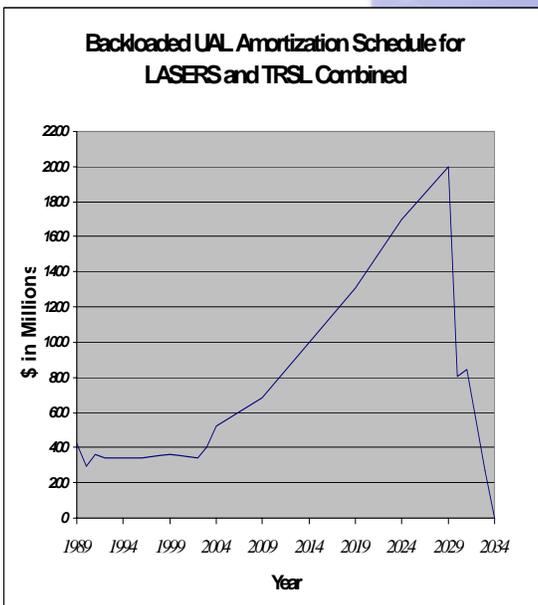
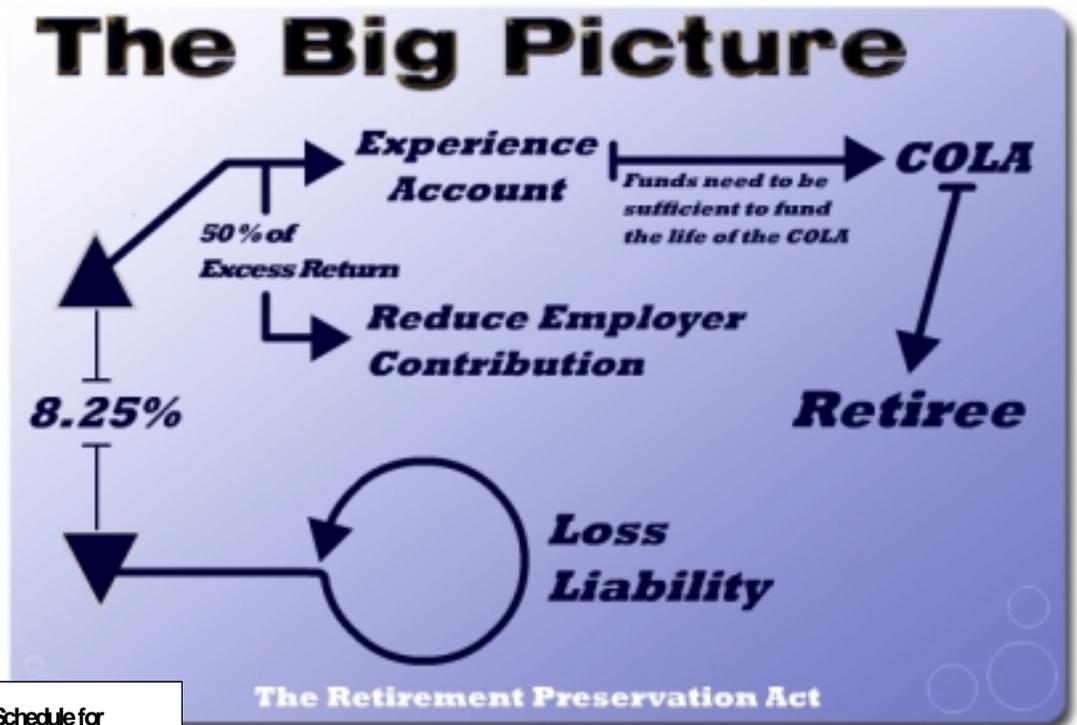
GOAL: Preserve the defined benefit systems for FUTURE GENERATIONS of retirees. Maximize profits, help eliminate excess money managers and investment bankers, as well as fees - saving millions to the system and receiving higher return on investments. Enhance efficiencies and provide accountability to the members of the retirement systems and the taxpayer.

NOTE:

1991 - Rate of Return (ROR) raised from 7.5% to 8.25% to assist in balancing the budget.

According to the TIFF Education Foundation, at best, a 5% Return on Investment is practical and reasonable for the next 15 years.

TIFF - THE INVESTMENT FUND FOR FOUNDATIONS



FUTURE AMORTIZATION - MID-YEAR PAYMENTS RUNOUT

Of June 30, 2003 UAL BALANCES
Including 4.5% increase (\$millions)

LASERS & TRSL

Fiscal Year	Act 588	Prior to Act 588
2004	518.5	518.5
2010	747.1	829.2
2016	1063.3	1079.8
2022	1474.9	1406.2
2029	2114.9	1913.7
2030	807.5	-42
2034	341.1	0
2035	0	0

- If the balances in the retirement systems today fell to \$0, retirees would still receive their full earned benefit which is protected by the state constitution. (*Const. Art. 10§29(E)(2)(d)*) However, **COLA's** (Cost of Living Adjustments) **are not guaranteed**. These pieces of legislation will assist in maximizing returns on investments to fund COLA's and **ease the load on local and state budgets**.

A 2% COLA for TRSL would require \$130 million in the Experience Account, according to TRSL.

- **TRSL** - Teachers' Retirement System of Louisiana and **LASERS** - Louisiana State Employees' Retirement System are the two largest state retirement systems, representing approximately 72% of the 345,500 active and inactive members of the combined 13 state and statewide systems.

Funded Ratios

(2003 Actuarial Report on Louisiana Public Retirement Systems, November 2004)

State System:	FY2003	FY2002	FY2001	FY2000
LASERS	59.7%	67.2%	76.3%	80.9%
TRSL	62.4%	72.0%	82.7%	88.8%

- Actuarial liabilities are funded through the general fund appropriations, either directly or (in the case schools) as transfer payments to local school districts. **Can local school districts continue to afford additional burden on their budgets?**
- Last session, **Act 588 (SB622)**, added **\$1.7 BILLION** to the UAL (reflection of investment losses previously in the Experience Account) - **raising the total Unfunded Accrued Liability to \$11 BILLION**. Paid and will continually be paid by the taxpayer. **Required payments are projected to rise from \$560 MILLION to \$2 BILLION by 2029.**
- Employer contribution rates were increased:

State System:	2005	2004
LASERS	17.8%	15.8%
TRSL	15.8%	13.5%

- Combined Administrative Budgets for both LASERS and TRSL are requesting an additional **\$9.7 MILLION in operating expenses for FY 05-06**. **\$8.2 MILLION is for investment management fees** for the two systems. Both systems propose to spend \$345,000 for actuarial professional services next year - \$270,000 is paid to one actuarial firm and TRSL proposes to spend another \$75,000 for a second actuarial review.
- The *2004 Wilshire Report** ranks **Louisiana 46th of the 50 states**, placing us at the bottom for the ratio of pension assets-to-liabilities. The report specifically indicates the systems evaluated are TRSL and LASERS. Overall, **TRSL ranked at the bottom (111 out of 123 systems) as well as LASERS (113 out of 123 systems)**. In evaluating the overall dollar amount of the various systems' UAL's, we were placed at the bottom again - **TRSL 108 and LASERS 93**.

 *Wilshire Associates is a worldwide investment consulting, management, and technology firm.