LASERS
Louisiana State Employees' Retirement System
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Wednesday, April 14, 2010

Dear Editor:

I would like to thank the Advocate for their recent editorial recognizing the importance of securing the financial soundness of our public pensions. The Louisiana State Employees' Retirement System (LASERS) understands the significance of this matter and continues to stress, to the legislature and the public, the importance of paying down the unfunded accrued liability or UAL.

I also appreciate the opportunity to clear up some misinformation that has been published regarding the soundness of the system and the effect of various proposals to reduce the debt.

One very misleading report was recently issued by the Kellogg School of Management. The report raised alarm by erroneously suggesting that the pension system would run out of funds within ten years. Unfortunately, the author based his projections on investment return rates of approximately 5 percent and ignored completely the amortization payments made to LASERS. In fact, through June 2009, we had a 25 year compounded actuarial return of 8.41%. Our current fiscal year market rate of return is 20%. The report disregarded our statutes, Constitution, and market experience.

A Pew Center report focused on state retirement systems and potential reforms. It affirmed that public pensions work and play an important role in enabling public employers to attract and retain qualified workers.

It should be noted that Louisiana took an important step in 1987, Constitutionally requiring the financial soundness of state pension systems. The Pew report recognized Louisiana as a top ten state for paying the actuarially required rate. In 2009, the Louisiana Legislature revised the debt payment schedule, reducing the UAL by $500 million.

Louisiana enacted sweeping reform in 2005 for LASERS new rank and file members; the legislation reduced debt, increased employee contributions and minimum retirement age. The legislation also reduced pension costs.

The Advocate editorial cited HB 930 by House Speaker Jim Tucker. This bill would shift new state employees into a defined contribution plan instead of the current defined benefit plan. According to the editorial, this legislation is designed, "— to bring the state in line with the private sector, where IRA-type defined contribution systems are the norm."

IRA-type plans are a norm in the private sector, but so is Social Security. Too often forgotten is that state employees are not in Social Security. They do not have that form of a defined benefit and are dependent on their LASERS pension.

In summary, LASERS Board will continue to work with our legislature on debt reduction and improvements in our pension system reform. The Board opposes HB 930, seeing no short-term fiscal savings, reduction of debt, or definitive long-term savings.

Cindy Rougeou
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