Pension debt not the fault of employees

Cindy Rougeou, chief of the Louisiana State Employees Retirement System, called LASERS, says she wants to clear up a misperception in some quarters about her pension system's situation.

State employees are paying more than their share of their future pension benefits, she said. But, "The debt is not the responsibility or the fault of the employees," Rougeou said.

"The greatest part of the debt came from the failure in decades past for the state to pay its required contributions," she said.

Rougeou made that point as the Legislature considered legislation that called for state employees to pay more of their payroll checks toward retirement. Gov. Bobby Jindal backed legislation that would have shifted part of the state's responsibility to employees so dollars could be freed up for other spending in a $25.3 billion operating budget.

In another bill, Louisiana House Retirement Committee Chairman state Rep. Kevin Pearson, R-Slidell, asked state employees to contribute more with those extra dollars going to pay down system debt.

Neither proposal got far.

House Speaker Jim Tucker, R-Terrytown, called the extra payments a "payroll tax."

The proposals did bring attention to LASERS' unfunded accrued liability, which is called the "UAL." The UAL is the amount that would be needed to cover pension benefits earned should the systems have to pay today. It's about $18 billion for all four state-guaranteed systems. The debt for LASERS, which handles retirement benefits for state government employees, sits at $6.25 billion.

Two-thirds of LASERS' liability is attributable in one way or the other to the state failing to pay its share of costs, Rougeou said. The other third is largely investment losses tied to the recent recession.

The investment situation is improving, with LASERS recently registering its best fiscal year ever at a 24.3 percent return, which should help reduce the UAL, Rougeou said.

It's the old debt that's been the albatross.

Steps to tackle the growing UAL began in 1987 with a constitutional amendment requiring the state to pay off existing debt by 2029.

The state is on a payment plan to do that. But the plan is back-loaded with increasing state contributions called for as 2029 nears. Some past governors opted not to keep up with the plan, pushing bigger bills down the road.

In 2009, the payment plan was revised to save $500 million but it's still not sufficient to pay interest on the amortization of the debt.

Through the years there have been other steps to reduce LASERS' pension liability, including increases in employee contribution rates, changes in retirement eligibility as well as how pension benefits are calculated.

Two other constitutional amendments won voter approval. One requires new benefits to have a source of funding. Another requires a two-thirds legislative vote for proposals that have a cost to the system.

Another proposed constitutional amendment, sponsored by Pearson, goes to voters Oct. 22 and would require a portion of any state surplus dollars to go to retirement system debt.

"Those are real dollars and that will help reduce it," Rougeou said.

Under the current constitution, repayment of the UAL is one of the things on which surplus funds can be spent.

But few dollars have gone there and an opportunity was lost. "At one point, there could have been a $5 to every $1 savings," Rougeou said. The steps taken won't reduce the UAL overnight. But efforts will get there over time, Rougeou said. "Something in fact is being done," she said.

And it's the right way to go about it, Rougeou said, instead of trying to shift some state costs to current employees paying their share.

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