



Louisiana Retired Teachers Association

LRTA 2010 Legislative Survey

The Louisiana Retired Teachers Association (LRTA) adopts a list of legislative priorities each year. This list contains items that support the granting of periodic permanent benefit increases, maintaining the financial integrity of the Teachers' Retirement System of Louisiana (TRSL), and protecting the benefit structure offered by the retirement system. LRTA is always interested in receiving support from elected officials on issues that are important to maintaining and improving the benefits needed to secure dignity and independence in retired life. LRTA would like to obtain your position on two issues that are important to LRTA. Please take a minute to respond to the questions below.

Please return your survey responses by March 12, 2010 in the postage paid envelope provided or fax them to the LRTA office at 225.927.8838.

1. HCSR No. 1 of the 2009 Regular Legislative Session by Speaker Tucker requested the House and Senate committees on retirement to study the issue of converting retirement plans for newly hired state employees, state troopers, teachers and school employees from the currently offered defined benefit plans to a defined contribution plan beginning July 1, 2010. The Commission on Streamlining Government adopted a recommendation to implement a newly created defined contribution retirement plan for these newly hired employees beginning July 1, 2010.

Under a defined benefit plan, retirement benefits are determined by the utilization of a formula which usually includes years of service credit in the retirement system, average salary earned over a certain time frame (usually the highest consecutive years of earnings over a three to five year period), and a benefit accrual factor. On the other hand, defined contribution plans establish the amount of funds to be contributed to a worker's retirement account, usually a percentage of salary contributed by the employee and a percentage of salary contributed by the employer. The individual is responsible for making investment decisions along the way, and the benefit to be paid is determined by the account balance at the end of the worker's career when the decision is made to retire. Defined benefit plans, therefore, determine a benefit to be paid while defined contribution plans pay benefits based upon individual decisions that could yield inconsistent results to those covered by the plan.

Some proponents of defined contribution retirement plans see costs savings and tax payer relief as enticing reasons to make the switch from a defined benefit plan to a defined contribution plan. In fact, some refer to the initiative as "Unfunded Accrued Liability Reform." According to testimony provided during the joint meetings of the House and Senate committees on retirement, a defined contribution retirement plan may be more expensive than the current defined benefit retirement plans in place for those groups of state employees mentioned above. Consider the Teachers' Retirement System as an example. The current normal cost for that defined benefit retirement plan (excluding the amount of money that is dedicated to paying off the unfunded accrued liability) is 5.7029% of salary. To provide employees coverage by the Social Security Administration, the state would have to pay 7.65% of salary—6.20% for the old age portion coverage and 1.45% for Medicare coverage. A defined contribution plan with no Social Security coverage requires that 7.5% of salary be placed into the retirement account, and the source of funding can be all from the employee, all from the employer, or from some mix of the two. This last alternative is less expensive, but leaves no additional retirement security to rely on should a defined contribution account not outlast the life of the retiree.

The state of West Virginia abandoned its defined contribution plan and re-established a defined benefit plan for its public employees. The state of Alaska is considering taking the same action. There are issues, such as employee recruitment and retention capabilities, the impact of retired individuals seeking additional public assistance because retirement benefits from defined contribution plans do not allow them to appropriately provide for themselves, and others. **Based upon experiences of other states and the increased cost of providing a defined contribution plan that is integrated with benefits provided by the Social Security Administration, LRTA opposes any attempt to implement a defined contribution plan for future teachers.**

1. Do you favor maintaining the existing defined benefit retirement plan for future state employees?

_____Yes _____No

Comments are welcomed:

2. The state of Louisiana has experienced some very significant fluctuations in revenues over the past five years. As a result, some government programs were enhanced during the time of increased revenue collections. Now the state budget needs to be cut back in order to be in line with anticipated reductions in revenue collections. These reductions have had a significant impact on the areas of health care and higher education, and based upon revenue projections the reductions will have even greater impact in future years. Some have begun talking about an increase in the gasoline tax to support better roads throughout the state. Others are very concerned about the impact budget reductions are having on Louisiana's institutions of higher education.

Louisiana is a state very blessed to have a rich abundance of natural resources. As a result, over the past 70 years, a system of pipelines has been put in place to transport crude and refined oil, natural gas, sulfur, and other minerals and their by-products into, through, and out of the state. The Louisiana Self-Help Plan, established by Mr. J. Ronald Eldridge, proposes a method by which the impact of these revenue/budget fluctuations could be remedied—now and in the future. The plan proposes to levy an excise tax on pipelines in the state of Louisiana. The plan would generate sufficient revenue to allow placement of concentrated efforts on the restoration of Louisiana's coastline to its early 1900 condition prior to the installation of pipelines. It would also allow for the elimination of other taxes, pay for past and future obligations, i.e. debt retirement, and the unfunded accrued liabilities of the retirement systems, and provide rebates to Louisiana businesses and residents, much like is currently done in the states of Alaska and Montana.

The plan is fair, consistently applied, and meets federal interstate commerce rules. Those paying the excise tax would get relief by the elimination of sales, property and income taxes. Additional information about the plan can be obtained at <http://laselfhelp.com>. **LRTA endorsed the Louisiana Self-Help Plan at its Fall Meeting held last October. The association realizes that taxes and fees cannot be addressed during the 2010 Regular Legislative Session, and would have to be considered during a special legislative session. Once enacted, this plan would eliminate the need for future budget reductions currently being discussed by some policy makers.**

2. Can you support the Louisiana Self-Help Plan which will enhance the quality of life of retired educators and all other residents of the state of Louisiana?

_____Yes _____No

Comments are welcomed:

Signature

Date