



## LRTA Legislative Summary of the 2009 Regular Session

### House Bill No. 114 by Representative Hardy

This bill would require retired educators who return to work after retirement to suspend their retirement benefit during periods of re-employment except when employed in a classroom teaching position.

- Some members would lose benefits.

Retirees can currently return to work in any position and receive their retirement benefit after having been retired for a 12 month period.

LRTA opposes legislation that will adversely affect retired teachers.

**House Bill No. 114 was deferred by the House Retirement Committee on 5/13/09.**

### House Bill No. 230 by Representative Arnold and Representative Tucker

This bill, if enacted into law, will consolidate the administrative and policy making functions of the boards of trustees of the four state retirement systems and places these functions under a newly created 17 member Consolidated Retirement Board.

- Members do not have a majority on the board.

The new board contains eight members of the systems, one active member and one retired member from the general membership of the Louisiana State Employees' Retirement System, the Teachers' Retirement System of Louisiana, the Louisiana School Employees' Retirement System, and the State Police Pension and Retirement System. Members of the system are in the minority of this newly created board.

- Institutional investors did not create the recession.

Some feel a consolidated board could better invest the assets of the retirement systems, especially now with the market downturns. All institutional investors felt the impact of market downturns—private and public pension plans, insurance companies, trusts, foundations, etc. Some also feel that making investments in larger amounts can be cheaper through economies of scale. This bill stipulates that the four trust funds would continue to be invested as separate funds. Managers follow a favored nations clause in their contracts meaning they cannot offer investment services cheaper to one client than any another client. Therefore, economies of scale are already being achieved. Even if a larger asset pool was developed, management firms have fee schedules which apply to all investors based upon the amount of assets invested.

- Consolidation does not solve the I-UAL.

The newly created board will still have to deal with the unfunded accrued liabilities of the retirement systems, even though some may feel consolidation will reduce or eliminate the funding requirements for previously under-funded benefits.

- The members and the boards of trustees of the four state systems oppose consolidation.

Retired educators are most interested in maintaining the identity and the integrity of the retirement system that was designed specifically for them. The membership is very much

concerned about moving investment decisions of their trust fund out of the hands of their member board of trustees.

LRTA Legislative Priority No. 7 states: “LRTA opposes the consolidation of the Teachers’ Retirement System of Louisiana with any other retirement system.” And, LRTA Legislative Priority No. 8 states: “LRTA opposes the consolidation of assets of the Teachers’ Retirement System of Louisiana with any other retirement system, and opposes any other action that would dilute membership control of the investment of the assets of the Teachers’ Retirement System of Louisiana.”

**House Bill No. 230 was voluntarily deferred by the authors of the legislation at the House Retirement Committee meeting held 5/20/09.**

House Bill No. 357 by Representative Arnold and Representative Tucker

This bill, if enacted into law, would require the four state retirement systems to direct fifty percent (50%) of the commissions on certain equity trades through Louisiana brokers-dealers.

- **Program costs.**

Data from the retirement systems regarding the previous Louisiana broker-dealer program requiring 10% of commissions be directed to Louisiana broker-dealers incurred a cost to the systems. The Teachers’ Retirement System of Louisiana has developed a fiscal note for this bill indicating the potential cost for next fiscal year would be approximately \$4.1 million. Trading through larger brokerage houses allows for cheaper settlement of trades because larger volumes of the equities are being traded.

- **Investment independence.**

This bill removes the independence of the retirement system boards and staff to determine how to best execute trades of specific equity holdings for the benefit of retirement system members.

LRTA Legislative Priority No. 6 states: “LRTA opposes any action that would negatively impact the actuarial soundness of the Teachers’ Retirement System of Louisiana.”

**A motion to report House Bill No. 357 with amendments was defeated by the House Retirement Committee on 5/20/09. The vote on the motion was 5 yeas for reporting the bill, and 6 nays against.**

House Bill No. 584 by Representative Tucker

This bill places a moratorium on DROP participation by members of the state retirement systems from July 1, 2009 through June 30, 2012.

- **Some members would lose the opportunity to participate in DROP.**

The Deferred Retirement Option Plan is an actuarially cost-neutral program. Therefore, it should have no impact on the funding of the Teachers’ Retirement System of Louisiana.

LRTA opposes legislation that will adversely affect potential members of the association.

**House Bill No. 584 was voluntarily deferred by Representative Tucker at the House Retirement Committee meeting held 5/20/09.**

House Bill No. 579 by Representative Robideaux and Representative Tucker, House Bill No. 722 by Representative Robideaux, and Senate Bill No. 296 by Senator D. A. "Butch" Gautreaux

These bills provide for the extension of the amortization payments dedicated to eliminate the initial unfunded accrued liabilities of the Louisiana State Employees' Retirement System and of the Teachers' Retirement System of Louisiana from 2029 to 2039. A "permanent benefit increase" is provided in Senate Bill No. 296, replacing the terminology "cost-of-living adjustment."

In order to defray the cost of future payments applied to the initial unfunded accrued liabilities of the systems, the balance in the Employee Experience Accounts for both LASERS and TRSL is reduced to \$0.00, and funds on deposit in the accounts are returned to the trust. The Employee Experience Accounts remain, and begin receiving deposits as in the past after July 1, 2009.

LRTA legislative priorities support full funding of the Teachers' Retirement System of Louisiana. The priorities also support a permanent funding source for periodic benefit increases from the Employee Experience Account and from State General Funds. Therefore, LRTA supports portions of the legislation, but is opposed to eliminating the balance in the Employee Experience Account.

**Senate Bill No. 296 became Act No. 497.**

House Bill No. 586 by Representative Doerge and others

This bill provides for a minimum benefit payment to retirees of the Teachers' Retirement System of Louisiana and the Louisiana State Employees' Retirement System of \$1,200 per month.

Increases in benefits will be paid to retirees who, on June 30, 2009, meet the following criteria:

Have at least thirty years of service credit exclusive of unused leave  
Have been retired for at least fifteen years  
Are currently receiving a benefit that is less than \$1,200 per month  
Are at least sixty years of age  
Have not participated in DROP or Initial Benefit Option

Other provisions apply to beneficiaries, survivors and minor children.

The benefit increases shall be the lesser of \$300 and the difference between the current benefit and \$1,200 per month. Benefit increases will be provided from the Employee Experience Accounts of the teachers' and state employees' retirement systems.

LRTA supports this legislation. It is a result of legislation introduced last year by Representative Doerge and Senator Shaw on behalf of LRTA.

**House Bill No. 586 became Act No. 114.**

House Bill No. 848 by Representative Patricia Smith and Senator Murray

This bill provides for health insurance premiums of retirees of schools that were transferred to the Recovery School District. Funds for the insurance premiums will be allocated from the Recovery School District's annual appropriation.

LRTA Legislative Priority No. 5 supports the offset of increasing insurance costs for retirees.

**House Bill No. 848 was deferred by the House Education Committee on 6/2/09.**

**Senate Bill No. 42 by Senator Murray**

This bill dedicates state funds for the purpose of providing health insurance premium supplements to retirees from school boards located in hurricane affected areas.

**LRTA Legislative Priority No. 5 supports the offset of increasing insurance costs for retirees.**

**Senate Bill No. 42 was deferred by the House Appropriations Committee on 6/21/09, but the contents of the bill have been amended to House Bill No. 364.**

There have been some resolutions introduced since this list was first compiled which are being monitored by LRTA. They are:

**House Concurrent Resolution No. 85 by Representative Hoffman**

This resolution memorializes the U. S. Congress to repeal the Government Pension Offset and the Windfall Elimination Provision of the Social Security Administration.

**LRTA Legislative Priority No. 11 supports the repeal of these provisions.**

**The resolution was approved by the Legislature on 5/6/09.**

**Senate Concurrent Resolution No. 32 by Senator D. A. "Butch" Gautreaux**

This resolution memorializes the U. S. Congress to repeal the Government Pension Offset and the Windfall Elimination Provision of the Social Security Administration.

**LRTA Legislative Priority No. 11 supports the repeal of these provisions.**

**The resolution was approved by the legislature on 5/11/09.**

**House Concurrent Study Resolution No. 1 by Representative Tucker**

This resolution requests the House and Senate Retirement Committees to meet as a joint committee to study the feasibility of the state retirement systems of offering a defined contribution plan for future members of the four systems.

**LRTA Legislative Priority No. 9 opposes any action that would alter the current defined benefit structure currently offered by the Teachers' Retirement System of Louisiana.**

**The resolution was approved by the legislature on 5/26/09.**

For further information on these and other legislative instruments being considered, visit [www.legis.state.la.us](http://www.legis.state.la.us), the website of the Louisiana legislature.