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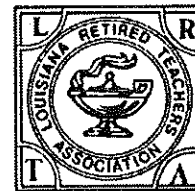
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Executive Director
GRAIG A. LUSCOMBE

June 24, 2009

The Honorable "Bobby" R. Jindal
Governor, State of Louisiana
State Capitol, Fourth Floor
Baton Rouge, LA 70804

Re: Veto of Senate Bill No. 296

Dear Governor Jindal:

Senate Bill No. 296 of the 2009 Regular Legislative Session addresses a number of issues regarding the Teachers' Retirement System of Louisiana (TRSL) and the State Employees' Retirement System of Louisiana (LASERS). First, it provides for future level payments to the unfunded accrued liabilities of the retirement systems. Second, it alters the current mechanism provided through the Employee Experience Accounts of both systems which are designed to provide periodic cost-of-living adjustments (COLAs, now named "permanent benefit increases" in the bill).

The Louisiana Retired Teachers Association supports full funding of the retirement system established to provide benefit payments to those who joined the education profession and taught in Louisiana's public institutions of education. In fact, the association has continually supported the allocation of funds from budget surpluses and other sources to the payment of the unfunded portion of the system. The association also supports the provisions of Senate Bill No. 296 that address this effort.

The association, however, does not support the changes being made to the Employee Experience Account held at TRSL. This opposition was officially communicated to the Senate and House retirement committees during their consideration of the legislation. COLAs for retirees have an interesting history. Prior to 1991, retirement benefit increases were given by the legislature without any formal mechanism but an outright appropriation of funds to provide for them. Retirees went from 1984 to 1991 without any increase in their benefit to adjust for inflation. In 1991, a COLA was granted, the legislature appropriated a portion of the funds necessary to pay for the benefit adjustment, and the retirement system was required to provide funds for the remaining portion of the obligation to provide this benefit adjustment. This action was taken, even after the passage in 1988, and beginning implementation in 1989, of a constitutional amendment requiring full funding of the four state retirement systems by the year 2029, therefore increasing the unfunded accrued liability of the system.

In addition, during the early 1990s, the state was experiencing serious revenue shortfalls and cash-flow problems as a result of a drop in the price of oil. It was during that time frame that the retirement system, at the request of the administration, adjusted the amortization payment schedule to include future "balloon" payments for addressing funding requirements of the system. Prior to making this adjustment, level amortization payments by the state to the system's unfunded accrued liability was part of the original design.

In 1992, Act No. 1031 established the Employee Experience Account which was designed to utilize one-half of excess interest earnings on the trust above 8.25%, computed on an actuarial basis, to provide periodic COLAs. Since that time, seven benefit adjustments have been implemented, and in 2001, a minimum benefit increase was provided. During the early 2000s, investment losses created a negative balance in the account, which was zeroed out by Act No. 588

of 2004. Senate Bill No. 296 proposes sweeping the funds now on deposit from the account to assist in the implementation of the new level payment schedule, and on July 1, 2009, the account balance will be \$0.00. It is estimated that on June 30, 2009 the account will contain approximately \$290 million that was originally available to provide retirees benefit increases.

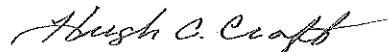
Revenues of the retirement system are generated from three sources—employer contributions, employee contributions, and the interest earned on those contributions through the investment of the assets of the trust. Recent economic trends have certainly had an impact on the investment returns of the retirement system. Active employees and retirees met their obligation to the state to fund their portion of their future and current retirement benefits. LRTA feels they should not have to be asked to help take care of a state obligation.

Although the balance in the account might be reduced in the future as a result of further declines in the market, this is the way the account was designed to work. Some are concerned that the current balance in the Employee Experience Account could "evaporate" over the next few years. With a change of current statutes, the legislature could have utilized the account balance to provide a cost-of-living adjustment on July 1, 2009, rather than utilize it to pay for a portion of the unfunded accrued liability.

Eighty seven percent of retirees receiving benefits from TRSL continue to reside in Louisiana. Their benefits, and any increases they receive over time, are spent at home in their communities and serve as an economic stimulus to this state. The miniscule effect that \$290 million will have on payment of the billions owed to the retirement system by the state of Louisiana pales when compared to the positive economic effects that could have been induced across this state.

On behalf of the members of the Louisiana Retired Teachers Association, I ask you to consider allowing the account balance to remain, and let the account work as it was originally intended to operate. I join the statewide officers, district presidents, and members of the Louisiana Retired Teachers Association in asking you to consider vetoing Senate Bill No. 296!

Sincerely,



Hugh C. Craft, Ed. D.
President

c: The Honorable D. A. "Butch" Gautreaux
Chairman, Senate Retirement Committee

The Honorable Joel C. Robideaux
Chairman, House Retirement Committee

Members of the Louisiana Legislature