



# Louisiana Retired Teachers Association

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## Letter to the Editor

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## LRTA Opposes Creation of a DC Retirement Plan for Public Employees

Baton Rouge—House Concurrent Study Request No. 1 of the 2009 Regular Legislative Session by Speaker of the House Jim Tucker requests the House and Senate Committees on Retirement to study the development and implementation of a defined contribution plan for newly hired state employees, teachers, state troopers, bus drivers, and members of school maintenance and janitorial staffs. The Commission on Streamlining Government has recommended a proposal for the creation of such a plan to be implemented July 1, 2010.

The Louisiana Retired Teachers Association recognizes efforts being made by the House and Senate Retirement Committees to comply with the request made by the legislature through Speaker Tucker's resolution. At recently held meetings, the committees invited national and state experts to provide information on this change in the method to provide future retirement benefits. The work of the committees is not finished but testimony received during their meetings casts many doubts as to whether the implementation of a defined contribution plan is appropriate for new hires.

The state of West Virginia has realized a defined contribution plan is not an effective retirement option. A defined contribution plan for newly hired teachers was implemented in that state in 1991. Realizing that the plan was not an appropriate change in public policy for employees, in 2005, the West Virginia legislature closed the defined contribution plan, and re-opened the defined benefit plan for new hires and allowed members of the defined contribution plan to re-join the defined benefit plan. The state of Alaska is also considering moving back to a defined benefit plan.

Proponents of defined contribution plans see cost savings and tax payer relief as enticing reasons to make the switch. Testimony provided during the recently held joint retirement committee meetings refutes those arguments. In fact, it was stated in both those committee meetings that a defined contribution plan, coupled with Social Security coverage, and continued payments on the unfunded accrued liabilities of the state's retirement systems, could be more expensive than the defined benefit plan currently in force for educators and other Louisiana state employees.

LRTA wants the State of Louisiana to provide a secure retirement plan for new employees of the education community. Recent market downturns, and the impact the national and world economies have had on assets invested in those markets, are testimony enough as to the security of funds maintained in a defined contribution plan account. LRTA adamantly opposes any attempt to change the current defined benefit retirement plan to a defined contribution plan for new hires.

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