

# TRSL UPDATE

## Louisiana Retired Teachers Association (LRTA) Fall Meeting



October 2018

# Agenda

- TRSL Board Leadership
- TRSL at a Glance
- Discount Rate Reduction
- Pension Reform in Louisiana
- UAL Balance and Payments
- CEM Benchmarking Results
- Evolution of Experience Account (EA)
- Permanent Benefit Increase (PBI)
- Return-to-Work Law (RTW)
- 2018 Legislative Sessions

# TRSL Board Leadership



**Jerry J. Baudin, Ph.D.**  
Board Chair  
*Retirees*



**Sheryl R. Abshire, Ph.D.**  
Board Vice Chair  
*District 7*



**James A. Taylor, Sr.,  
J.D., Ph.D.**  
*Retirees*

# TRSL at a Glance

	FY 2018	FY 2017	FY 2016
<b>Active members</b>	85,045	84,228	84,068
<b>Retirees/beneficiaries</b>	78,423	77,258	75,830
<b>DROP participants</b>	2,420	2,478	2,504
<b>Total benefits</b>	\$2.2B	\$2.06B	\$2.0B
<b>Investment return</b> <i>(gross of fees)</i>	12.09%	16.54%	1.6%
<b>Net assets</b>	\$21.0B	\$19.5B	\$17.5B

# TRSL at a Glance

	FY 2018	FY 2017	FY 2016
<b>Actuarial return</b>	9.48%	9.15%	6.67%
<b>DROP interest rate</b> <i>(eligible before Jan. 1, 2004)</i>	8.98%	8.65%	6.17%
<b>DROP interest rate</b> <i>(eligible on/after Jan. 1, 2004)</i>	0.9538%	0.2214%	0.059%
<b>Average actuarial return</b> <i>(30-year average)</i>	8.26%	8.08%	8.35%
<b>Funded ratio</b>	65.8%	64.5%	62.4%
<b>Unfunded accrued liability (UAL)</b>	\$10.5B	\$10.5B	\$11.0B

# Discount Rate Reduction

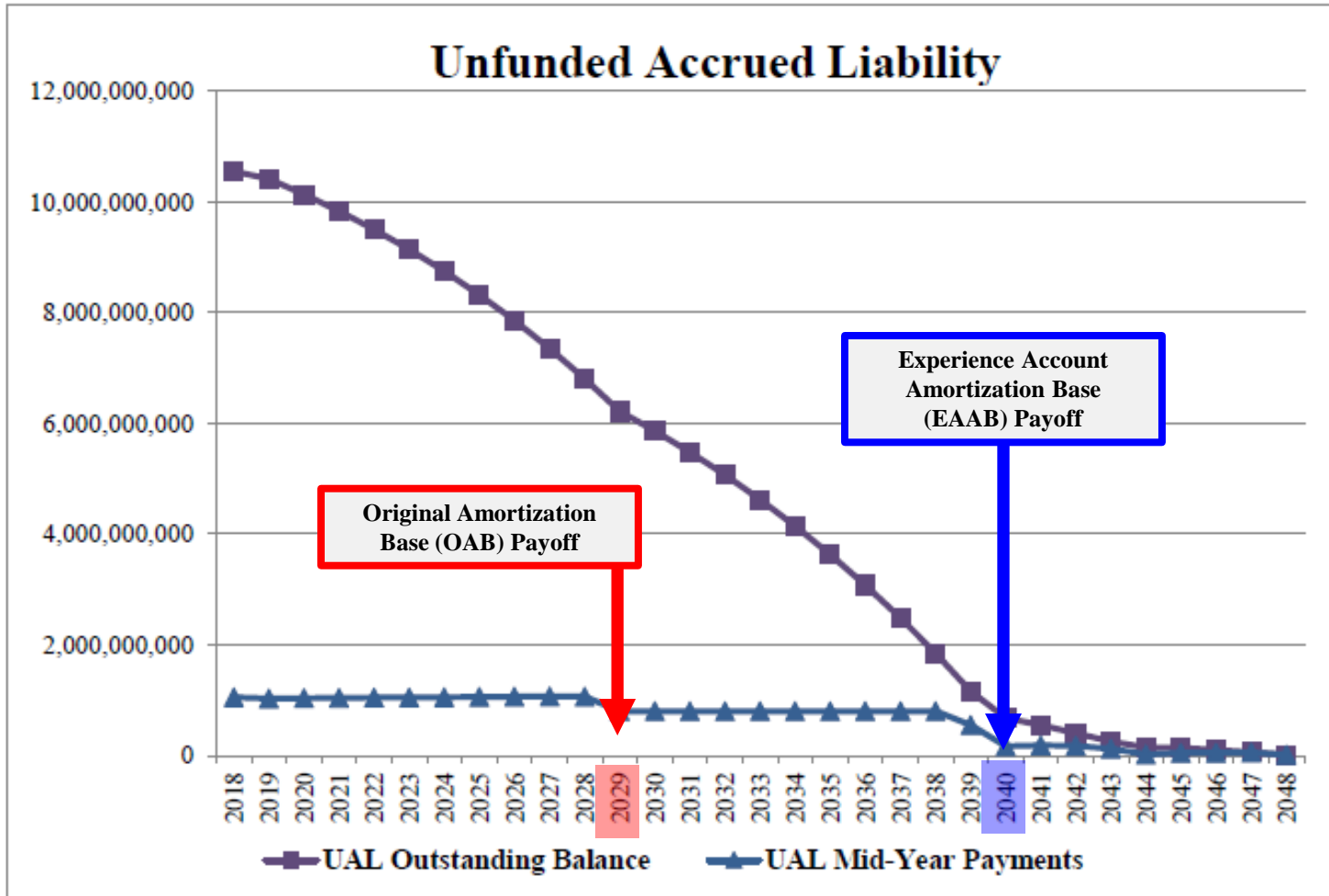
- **2013:** Board reduced discount rate from 8.25% to 8.00%.
- **2014:** Board reduced discount rate from 8.00% to 7.75%.
- **2016:** Board adopted plan to reduce the discount rate annually in 0.05% increments from 7.75% to 7.50%, starting July 1, 2017.
  - » A discount rate of 7.70% was used for the FY 2018 valuation report.
  - » The current year (FY 2019) discount rate is 7.65%.

# Pension Reform in Louisiana

- Since 1987, the state has enacted significant pension reform.
- Reforms have impacted pension benefits and funding.
- Reform measures have...
  - » Stabilized employer contribution rates
  - » Leveled annual UAL (debt) payments -- No balloon payments!
  - » Allocated additional funding to reduce the UAL
  - » Enhanced the sustainability of the retirement system

**Through pension reforms, the state is expected to realize more than \$5 billion in long-term cost savings.**

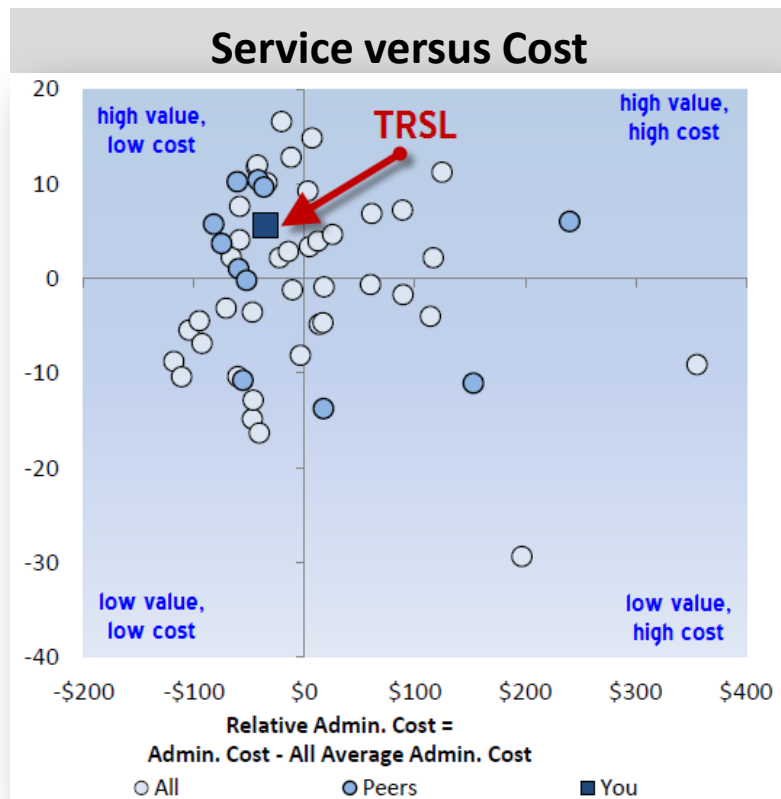
# UAL Balance and Payments





# CEM Benchmarking Results

- Benchmarking is an independent review of an organization's efficiencies and cost effectiveness. Since 2003, TRSL has used benchmarking analysis as a management tool to compare its cost effectiveness with similarly sized pension systems.



**Latest results:** TRSL provides a high level of customer service in an efficient, cost-effective manner.

- TRSL's cost per active member and retiree is **\$90** compared to the peer average of **\$112**.
- TRSL has a higher service score than the peer median score, primarily due to **shorter call wait times** and **quicker processing of retirement applications**.

# Evolution of Experience Account (EA)

- In 1992, the Experience Account was created as a source of funding for future COLAs.
  - » Credited with 50% of excess investment earnings; debited with 50% of investment losses and the cost of any COLA granted
- Between 2001 and 2003, the EA incurred a negative balance of approximately \$1.1 billion.

# Evolution of Experience Account (EA)

**Act 588 of 2004** reset the negative EA balance to \$0.

- The EA could no longer fall below zero.
- The EA was credited with  $\frac{1}{2}$  of the system's investment earnings over the board-approved rate of return, and any investment interest income attributable to the money in the EA itself.
- The system would be debited with any investment losses attributable to money in the EA.
- The EA was limited to hold two 3.0% COLAs.

***NOTE:*** If legislation to “zero out” EA debt had not been passed, the first time the EA would have had a positive balance would have been about 2014.

# Evolution of Experience Account (EA)

**Act 497 of 2009** restructured system debt (again), and amended provisions of the TRSL Permanent Benefit Increase (PBI) law—formerly called COLA.

- Restructured the method of deposit into the EA:
  - » Investment earnings in excess of the assumed rate of return are deposited into the EA after the first \$200 million of excess investment returns is applied to amortization bases (hurdles):
    - Original Amortization Base (OAB)
    - Experience Account Amortization Base (EAAB)
- Zeroed out the balance in the EA and applied it to the OAB

# Evolution of Experience Account (EA)

**Act 399 of 2014 made changes to how much excess investment earnings can be credited to the EA.**

- Hurdles (\$200 million to debt) are indexed to the growth in TRSL's actuarial value of assets.
- Credits to the EA can occur if the system is at least 55% funded and if there are excess investment returns above the amount needed to fund the hurdles.
- 50% of the excess returns after the hurdle allocations to the OAB and EAAB will be credited to the EA with the following limits:
  - » **If system less than 80% funded:** Amount credited to the EA will be equal to amount needed to pay one PBI, determined by the allowable size of the PBI.
  - » **If system at least 80% funded:** Amount credited to the EA will be equal to the amount needed to pay two PBI, determined by the allowable size of the PBI.

# Evolution of Experience Account (EA)

**Act 95 of 2016** made technical corrections to Act 399 of 2014, again modifying how money is allocated to the EA.

- The system's funded level must be determined before any allocation to the EA.

# Summary: Experience Account (EA)

- TRSL has granted thirteen (13) benefit increases since 1992 (10 regular and 3 special) at a cost of \$2.16 billion.
- The dollar amount dedicated to the UAL (hurdle) increases based upon the increase in TRSL's actuarial value of assets. **As of FY 2018, the hurdle is \$230,776,004.**
- After UAL allocation hurdle was met, the experience account was credited with \$44,451,679 in FY 2018. **As of FY 2018, the experience account balance is \$85,129,775.**

# Permanent Benefit Increase (PBI)

*(formerly called COLA)*

- Payable on July 1 to eligible retirees and beneficiaries, subject to TRSL Board recommendation and legislative approval
- Must have sufficient funds in the EA to pay a PBI and certain criteria related to funding, investment earnings, and inflation criteria must be met
- A PBI was not granted on July 1, 2018 because the balance in the experience account was not sufficient to cover the cost.



# Determining PBI Amount

TRSL Funding	Last PBI Granted	System earns at least 8.25%	System earns ARR*, but not 8.25%	System does not earn ARR*
Less than 55%	NA	None	None	None
At least 55% but less than 65%	None in preceding fiscal year	Lesser of 1.5% or CPI-U	Lesser of 1.5% or CPI-U	None
At least 65% but less than 75%	None in preceding fiscal year	Lesser of 2% or CPI-U	Lesser of 2% or CPI-U	None
At least 75% but less than 80%	None in preceding fiscal year	Lesser of 2.5% or CPI-U	Lesser of 2% or CPI-U	None
At least 80% but less than 85%	None in preceding fiscal year	Lesser of 3% or CPI-U	Lesser of 2% or CPI-U	Lesser of 2% or CPI-U
85% or greater	NA	Lesser of 3% or CPI-U	Lesser of 2% or CPI-U	Lesser of 2% or CPI-U

*\*Actuarially Realized Rate of Return (ARR).*

# Permanent Benefit Increase (PBI)

*(formerly called COLA)*

## The last PBI granted was in 2016:

<b>Eligible Recipients</b>	68,608
<b>PBI Amount*</b>	1.5%
<b>Average PBI</b>	\$29.54
<b>Cost of 2016 PBI</b>	\$216.4 million

*\*PBIs are calculated only on the first \$60,000 of the retiree's annual retirement benefit. The \$60,000 limit is increased each year in an amount equal to the increase in the CPI-U for the preceding year, if any.*

# Permanent Benefit Increase (PBI)

*(formerly called COLA)*

## Will there be a PBI in 2019?

### If there were sufficient funds in experience account:

**To grant a 2.0% PBI  
on July 1, 2019:**

- Must be at least 65% funded
- Must earn an actuarially realized rate of return (ARR) of at least 7.70%
- **Estimated cost: \$342 million**

**To grant a 1.5% PBI  
on July 1, 2019:**

- Must be between 55%-64.9% funded
- Must earn an actuarially realized rate of return (ARR) of at least 7.70%
- **Estimated cost: \$250 million**

# Return-to-Work Law (RTW): Overview

- TRSL retirees who return-to-work in a position eligible for TRSL membership are subject to the state's RTW law.
- Under the RTW law, these retirees are classified as either **retired teachers** or **retired members**.

Retired Teachers	Retired Members
<ul style="list-style-type: none"><li>▪ Pay contributions to TRSL</li><li>▪ Receive a monthly TRSL benefit <i>(up to allowable limit, if applicable)</i> after fulfilling applicable month waiting period*</li></ul>	<ul style="list-style-type: none"><li>▪ Do not pay contributions to TRSL</li><li>▪ Do not receive a monthly TRSL benefit during period of re-employment</li></ul>

*\*All retirees returning to work are subject to a 12- or 36-month waiting period, as applicable, which starts on the date of retirement and continues for the duration of re-employment or the lapse of the waiting period, whichever occurs first.*


## RETIRED TEACHER CRITERIA

Re-employment eligible retirees	Re-employment eligible positions (25% earnings limit)	Re-employment eligible positions (critical shortage)
<ol style="list-style-type: none"> <li>1. Retired on or before June 30, 2010</li> <li>2. Hold advanced degree in speech therapy, speech pathology, or audiology</li> </ol>	<ol style="list-style-type: none"> <li>1. Substitute, PreK-12 classroom teachers</li> <li>2. Adult education or literacy program teachers</li> <li>3. Adjunct professors as defined in the RTW law</li> <li>4. School nurses as defined in R.S. 17:28</li> <li>5. <b>Presenter of professional development training</b></li> <li>6. <b>Tutor for any PreK-12 student</b></li> <li>7. <b>“Classroom teacher” employed in a temporary capacity to proctor tests</b></li> </ol>	<ol style="list-style-type: none"> <li>1. Full- or part-time <b>PreK-12</b> classroom teachers where a critical shortage exists</li> <li>2. Full-time certified speech therapists, speech pathologists, audiologists, school counselors, school social workers, educational diagnosticians, school psychologists, <b>interpreter, educational transliterator, or educator for the deaf or hard of hearing</b> where a shortage exists</li> </ol>

*NOTE: If your RTW employment in a TRSL-covered position does not meet any of the above criteria, you are a **retired member** and your TRSL benefit will be suspended for the duration of your re-employment.*

# Returning to Work (RTW)

More information is available in our brochure, *Returning to Work after Retirement*, available on the TRSL website, [www.TRSL.org](http://www.TRSL.org).



**TRSL**  
Teacher's Retirement  
System of Louisiana

## Returning to Work after retirement

### Understanding return-to-work laws

Louisiana's return-to-work (RTW) laws have changed significantly in recent years. This booklet explains the law that applies when a regular service retiree returns to work in a position eligible for TRSL membership. Please read this booklet carefully if you're thinking about returning to work.

It's important to understand how these laws may affect you. Failure to comply with all RTW laws, by you or your employer, could result in suspension of your retirement benefits.

Retirees receiving a disability benefit can review information on returning to work in TRSL's *Disability Retirement* booklet available at [www.TRSL.org](http://www.TRSL.org).

### What's inside...

A break in service is required	2
Will I still receive my retirement benefit?	2
CHECKLIST... teacher or member?	3
"Retired TEACHER" provisions	4
"Retired MEMBER" provisions	6
SUMMARY: RTW provisions	7
Can I regain active TRSL membership?	7
TRSL disability retirement	8

# 2018 Legislative Sessions

## Special Session I (Revenue)

- February 19 - March 5

## Regular Session

- March 12 - May 18

## Special Session II (Revenue)

- May 22 - June 4

## Special Session III (Revenue)

- June 18 - June 24



# 2018 Regular Session: Bills that passed

- **Act 45:** Allows investment in a terror-free fund, rather than a terror-free index fund
- **Act 347:** Gives state/statewide retirement boards authority to independently appoint their actuaries and limits actuary's duties to actuarial matters
- **Act 399:** Removes Public Retirement Systems' Actuarial Committee (PRSAC) from the Department of Treasury and specifies that the House Speaker and Senate President (or their designees) rotate as PRSAC chair and vice chair biennially
- **Act 342:** Prohibits individuals from retaining TRSL membership if they become employed in a position covered by the Clerks' of Court retirement fund
- **Act 225:** Requires state/statewide retirement systems to uniformly administer provisions related to the purchase of certain types of military service credit
- **Senate Resolution 248:** Requests that BESE explain how the minimum foundation program (MFP) is calculated to ensure funding of the unfunded accrued liability (UAL)



# 2018 Regular Session: Bills that did not pass

## BENEFIT STRUCTURE CHANGES:

- **HB 39 (Ivey):** Would have established a mandatory hybrid retirement plan for new members of the four state retirement systems hired on/after July 1, 2020; plan would have a defined benefit (pension) and defined contribution (401k) component
- **SB 14 (Peacock):** *LASERS ONLY* Would have established a mandatory hybrid retirement plan for rank-and-file LASERS members (state employees) hired on/after January 1, 2020, excluding hazardous duty members and judges

### Investments

- Portfolio restrictions: HB 23
- Fee reductions: SB 530

### Employer contributions

- 20% minimum rate: HB 22

### Charter schools

- Mandatory “teacher” membership: HB 25

### PR SAC

- Fiduciary duty: HB 11
- Legislative report: HB 12
- Membership: HB 21
- Uniform reports: HB 24

# Register for Member Access

View your benefit payments from anywhere.

Shed some **LIGHT** on your  
**RETIREMENT.**



Register for secure, online Member Access

Register for **MEMBER ACCESS**  
and get secure, online access to  
your TRSL retirement account.

# Benefits of Member Access

## Why should you register?

- Get convenient & secure access to your personal TRSL retirement account information
- Print your 1099-R tax form
- View your benefit payment history
- View your DROP withdrawals/statements (if applicable)
- Change your federal income tax withholding information
- Update your email address
- Receive important TRSL communications



**QUESTIONS?**

# CONTACT

- **Phone:** 225-925-6446
- **Toll free:** 1-877-275-8775
- **Email:** [web.master@trsl.org](mailto:web.master@trsl.org)
- **Web:** [www.TRSL.org](http://www.TRSL.org)
- **Physical address:** 8401 United Plaza Blvd.,  
Ste. 300, Baton Rouge
- **Hours:** 8 a.m. – 4:30 p.m., Mon - Fri