

Talking Points: Pension Reforms

Supporting Defined Benefit (DB) plans; pension reforms are WORKING

What about the Unfunded Accrued Liability (UAL) or debt?

- Since it was created in 1936, TRSL has had an unfunded accrued liability (UAL or debt). Over the years, benefits promised were not fully funded mainly because there was no requirement that the employer contributions needed to properly fund these benefits had to be paid.
- In 1987, Louisiana voters passed a constitutional amendment requiring the System to be properly funded and pay off the debt accrued as of 1988.
- Since the 1987 constitutional amendment, more than a dozen pension reforms have been passed - all designed to maintain the financial health of the system and ensure its sustainability over the long-term. These reforms are projected to have a long-term savings of \$5 billion for the state.
- Due to our current pension reforms, the new debt is eliminated annually through the investment returns.
 - The IUAL of the retirement system will be paid off by 2027.
- In 2019, TRSL sent \$200 million toward paying off the UAL.

Our Current Pension Reforms

- Since 2009, the state has enacted significant pension reform, including:
 - Restructuring the UAL payment plan to make payments more level and steer more of the retirement system's excess investment earnings toward reducing the UAL. Almost \$1 billion in excess earnings have been directed to the UAL.
 - Dedicating additional excess investment returns to the UAL.
 - Raising the retirement eligibility age to 62 for individuals hired on or after July 1, 2015.
 - Adopting a method to project long-term funding needs that allows for greater budget stability.
- Due to our current reforms, the UAL debt of the retirement system will be paid off by 2027.
- The expected long-term reduction in costs from these and other legislative reforms is \$5 billion.

Bottom Line

- The UAL is decreasing.
- The state is making its required contributions to the System.
- TRSL is on track to meet UAL payoff deadlines.
- TRSL's funded ratio is increasing.
- TRSL maintains a highly diverse investment portfolio.
- In FY 2019, TRSL paid \$2.2 billion in retirement benefits; almost 90% went to Louisiana residents.
- TRSL is a sustainable retirement plan.

Start talking to your state Representatives and Senators NOW. They need to know about the issues that affect their constituents. To find your Representatives' and Senators' contact information, see the attachment or go to <http://www.legis.la.gov/legis/FindMyLegislators.aspx>.