

# KNOW YOUR RETIREMENT

## THE FALSE PENSION CRISIS: KNOW THE FACTS

*Article by Shane Riddle, LAE Government Relations Specialist*

As the 2011 Regular Legislative Session approaches, LAE anticipates the introduction of various pieces of legislation dealing with retirement. As all levels of government face revenue shortfalls and officials try to manage budget crises, there is a growing - but false - perception that public employee benefits are a huge threat to the economic well-being of local and state governments. Increasingly, we hear calls for public employee pensions to be eliminated or severely cut back. Certain groups and even many politicians purport that the Teachers Retirement System of Louisiana (TRSL) is nearing bankruptcy. Our members need to know that the reports we are hearing about the crisis in public pensions are simply not true and create a false "crisis."

The truth is, as of February 28, 2011, TRSL earned a 21.4 percent market rate of return and added \$2.1 billion to system assets, bringing the total value of assets to more than \$13.2 billion. For the 25 years ending December 31, 2009 - a period that has included three economic recessions and four years when median public fund investment returns were actually negative - public pension funds' median investment return was 9.25 percent. TRSL has a 30-

year actuarial rate average of 8.55 percent, which exceeds the target rate of 8.25 percent.

A report recently released by the Center for Retirement Research at Boston College erroneously suggests that TRSL will run out of money to pay benefits as early as 2018. Unfortunately, this study does not take into account and omits important factors, like underestimating TRSL's asset projection and omitting payments made to amortize past pension costs. This "study" creates a false picture of the retirement system's financial health.

In a recent letter to the editor at *The Wall Street Journal*, Jim Mosman wrote, "Teacher defined benefit pensions are smart, effective tools to help keep teacher recruitment and retention costs as low as possible, providing modest, dependable retirement security at about half the cost to taxpayers of other pension models. Just like the teachers they serve, these pension systems deserve respect - not factually incorrect criticism - for the important role they play in preserving and enhancing the quality of our nation's education system."

Just recently, Senate Bill 12 was filed by Senator Butch Gautreaux. This bill proposes a second tier of benefits (Tier 2) for state and statewide retirement systems, including TRSL, at the option of the employer. Participation in Tier 2 would reduce retirement benefits while increasing costs to the employee, and would apply to all school district employees. LAE was surprised to learn that TRSL was included in Senate Bill 12 without consultation with the TRSL system or with the LAE before they were placed as part of the bill. Also, LAE has major concerns on how the legislation would affect those parish school districts that would choose not to participate in the Tier 2 scheme.

In the coming days and weeks, please make it a priority to meet with your legislator and request that they keep the promise to protect TRSL and the defined benefit plan. It is important that we give legislators the real facts. For more information and facts go to [www.lae.org](http://www.lae.org).