



Louisiana Retired Teachers Association

Senate Bill No. 296 Impacts Future COLAs

Senate Bill No. 296 addresses two very important issues for members of LRTA and all retired educators. The bill restructures the method by which the state's future payments will be made to the Teachers' Retirement System of Louisiana (TRSL) and the Louisiana State Employees' Retirement System (LASERS) in order provide full funding of both those retirement systems by 2029, as is required by the constitution. New payment schedules to address the unfunded accrued liabilities of both the retirement systems are established by the legislation. To make required payments less expensive in the future, an initial payment will be made on July 1, 2009.

The funds for this initial payment will come from three special accounts at TRSL: the Texaco Settlement Account (funds allocated to the retirement system awarded to the state through the courts as a result of litigation against Texaco pertaining to off-shore oil extraction), the Employer Credit Account (funds placed into an account to lower employer contributions to the retirement system in years when the contribution rate exceeds 15.5%), and the Employee Experience Account designed to provide for future cost-of-living adjustments to eligible retirees. The legislation sweeps the balances from similar accounts held at LASERS.

LRTA continues to support full funding of TRSL. The association, however, opposed the bill based upon the elimination of approximately \$290 million from the Employee Experience Account. The legislation also addresses the mechanism by which future COLAs will be granted. Under the new provisions governing payments from the account outlined in the legislation:

- The term "cost-of-living adjustment" is changed to "permanent benefit increase",
- The Employee Experience Account remains, and will have funds deposited to its credit when TRSL, on an actuarial basis earns 8.25%, and after the first \$200 million is debited from the excess earnings,
- The first \$100 million will be returned to TRSL for credit toward payment of the initial unfunded accrued liability,
- The second \$100 million will be credited toward payment of the unfunded accrued liability that was created when the Employee Experience Account negative balance was eliminated in 2004,
- In years when the investment returns are 8.25% or greater, and when sufficient funds are available in the account, TRSL may grant a permanent benefit increase up to 3% when the consumer price index for all urban consumers (CPI-U) is 3% or greater for the previous calendar year. If the CPI-U is less than 3%, then the permanent benefit increase will be the increase in the CPI-U,

- In years when investment returns do not exceed 8.25%, but TRSL is at least 80% funded, a 2% permanent benefit increase may be granted if TRSL is at least 80% funded, and the CPI-U is at least 2%,
- If the balance in the Employee Experience Account is not sufficient to cover the full cost of the permanent benefit increase, then the increase cannot be granted. The legislation does not allow for the payment of partial permanent benefit increases.

Eligible recipients of a permanent benefit increase under the new provision:

- Must be retired for at least one year
- Must be at least age 60 (increased from age 55)
- Beneficiaries will be eligible to receive the increase in benefits if these same provisions would have been met by the deceased retiree.

Senate Bill No. 296 was opposed by both the LRTA and the Retired State Employees Association because of the future impact the legislation will have on the ability of the retirement systems to grant permanent benefit increases. Despite that opposition, the bill passed both houses of the legislature, and at this writing is on the governor's desk.