

March 7, 2014

LASERS Responds to James Varney in Times Picayune

In his opinion piece “Pension Reform Cowardice,” Mr. Varney makes so many misstatements and hyperbole; it is difficult to know where to start in response. These errors include, but are not limited to the following: “public employees should be limited to 401(K) plans; Louisiana hasn’t adopted sensible reforms; a 2012 law placed new hires in a defined contribution plan but, due to unions, lobbyists, etc., it was repealed; the system is unsustainable; state workers draw handsome pensions which are extraordinarily generous entitlements.”

The facts: Act 75 of 2005 enacted sweeping retirement reform, creating a new retirement plan for LASERS rank-and-file new hires, including increased employee contributions, a 5-year average compensation calculation, and required employees work longer before retiring. In 2010, Act 992 created another such plan, which included a new uniform hazardous duty service plan that LASERS had sought for years. Those Acts alone are expected to save LASERS \$800 million.

Louisiana’s public employees do not participate in the private sector defined benefit plan, Social Security. Placing public workers solely in a 401(K) defined contribution plan could be financially catastrophic for our state. And the 2012 law (the Cash Balance Plan), while not in fact a defined contribution plan, was found by the independent Legislative Auditor to actually cost more than the current retirement plan. It was, in fact, not repealed but found unconstitutional by unanimous vote of the Louisiana Supreme Court because it did not pass with the required two-thirds vote of the legislature.

As to sustainability, the debt owed to LASERS was reduced by about \$700 million last year; our five-year market return is 14.3 percent; our 30-year actuarial return exceeds eight percent; we have added \$4.6 billion to the fund over a four-year period; and principal and interest are now being paid on the unfunded accrued liability. LASERS was recently recognized as a top ten performing pension system nationally for the decade.

The truth is, since 2005, Louisiana has been on the leading edge of pension reform, passing laws that other states are just now considering. Another fact, LASERS retirees do not draw handsome or extraordinarily generous entitlements. The average annual rank-and-file benefit is about \$23,000. The average annual benefit for those rank-and-file retiring in 2013 was about \$25,000. And these pensions have been earned by a career of public service. They are certainly not an entitlement and they are certainly not generous.



Cindy Rougeou,
LASERS Executive Director

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