

# AARP IN THE STATES



## SNAPSHOT: Louisiana State Employees Retirement System

The Louisiana State Employees Retirement System (LASERS) provides benefits to qualified state employees. Employees do not participate in Social Security.

### The LASERS Pension Works for Louisiana Stakeholders



Defined benefit (DB) pensions help recruit and retain effective and experienced public employees, which is essential to delivering high quality service to citizens.



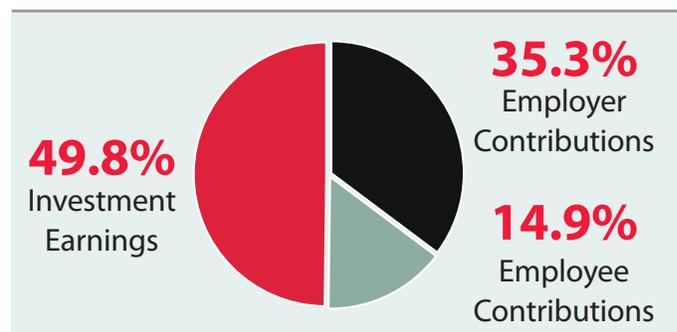
The spending by retired public employees from pension checks supports jobs, greater tax revenues and economic growth in our communities.



Pensions offer employees the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

### Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New LASERS employees contribute 8% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers paid only 35.3% of the cost of benefits.



### Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:





LASERS serves 39,284 active employees and 49,810 retired members and survivor beneficiaries.



New employees contribute 8% to LASERS.



Employers contribute 33% to the fund for employees.



The average monthly retirement benefit for members is \$2,072.



After a 30-year career, LASERS will replace 62.5% of final average salary.

## Historical LASERS Funding Experience

Louisiana established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2016 year, LASERS had \$11.6 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund becomes financially sound over time.

**Louisiana Paid 93.8% of Weighted Average Percent of ADC from FY2001-FY2015 for LASERS**



## Louisiana Made Plan Changes to LASERS in Recent Years

Following the global stock market crash in 2008-2009, Louisiana policymakers proactively made changes to LASERS to ensure long-term sustainability. These included:

- Restructuring the cost of living adjustment (COLA) to greatly restrict payments and to tie the COLA to the funding status of the plan for new employees.
- Reducing benefits for employees hired after 1/1/11 by eliminating normal retirement before age 60, adjusting final salary, capping salary increases, and requiring a higher age for normal retirement.

## The Economic Impact of Louisiana Pensions:



**\$5.2 billion**

in economic output generated by retirees' spending from public pensions in Louisiana.



**36,673 jobs**

paying \$1.6 billion in wages supported by retirees spending from public pensions in Louisiana.



**\$941.6 million**

in federal, state, and local tax revenues generated by retiree benefits and spending in Louisiana.

All data come from Louisiana, Public Plans Data, or the National Institute on Retirement Security.

# AARP IN THE STATES



## BY THE NUMBERS: Louisiana State Employees Retirement System



The **Louisiana State Employees Retirement System (LASERS)** provides a defined benefit (DB) pension for public employees who are not covered by Social Security. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees to better serve taxpayers. DB pension payments also support the state's economy.

### Key facts about the plan and its benefits:



**39,284**

Total active members of the Louisiana State Employees Retirement System.



**62.5%**

After a 30-year career, LASERS will replace 62.5% of an employee's pre-retirement income—and no Social Security benefits.



**\$2,072**

Typical pension benefit paid to retired LASERS members each month.

### Pensions are a good deal for taxpayers:

Funding of public employee pensions is shared by employees and employers. New LASERS employees contribute 8% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers (employer contributions) paid only 35.3% of the cost of pension benefits.

**49.8%**  
Investment Earnings



**35.3%**  
Employer Contributions

**14.9%**  
Employee Contributions

### The spending from the pension checks of the 49,810 retired public employees helps support:



**\$5.2 billion**

in economic output in Louisiana.



**36,673 jobs**

paying those workers in Louisiana \$1.64 billion in income.



**\$941.6 million**

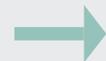
in federal, state, and local tax revenues based on benefits and spending in Louisiana.

### Pension benefits are a good deal for the economy too:

Each dollar "invested" by Louisiana taxpayers (employers) in these plans supported **\$3.81** in total economic activity in the state.



**\$1.00**



**\$3.81**

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# AARP IN THE STATES



## SNAPSHOT: Teachers' Retirement System of Louisiana

The Teachers' Retirement System of Louisiana (TRSL) provides benefits to qualified public school educators. Teachers do not participate in Social Security.

### The TRSL Pension Works for Louisiana Stakeholders



Effective teachers are the cornerstone of education quality, but teachers are underpaid. Pensions help schools keep teachers and compensate for low pay.



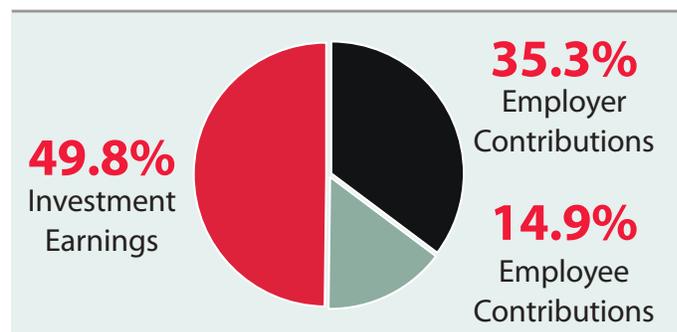
Retaining experienced midcareer teachers boosts student performance. Pensions help keep effective midcareer teachers in the classroom, increasing education quality.



Pensions offer teachers the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

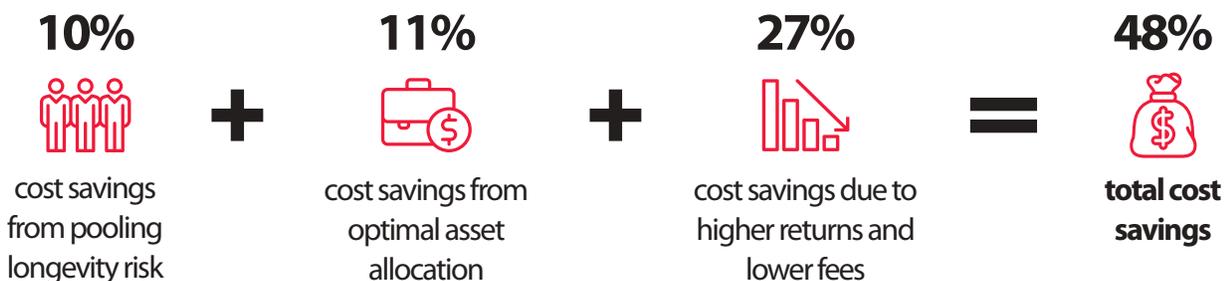
### Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New TRSL employees contribute 8% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers paid only 35.3% of the cost of benefits.



### Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:





TRSL serves 84,068 active employees and 78,334 retired members and survivor beneficiaries.



New employees contribute 8% to TRSL.



Employers contribute 26.2% to the fund for employees.



The average monthly retirement benefit for members is \$2,131.



After a 30-year career, TRSL will replace 62.5% of final average salary.

## Historical TRSL Funding Experience

Louisiana established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2016 year, TRSL had \$17.5 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund becomes financially sound over time.

**Louisiana Paid 100.6% of Weighted Average Percent of ADC from FY2001-FY2015 for TRSL**



## Louisiana Made Plan Changes to TRSL in Recent Years

Following the global stock market crash in 2008-2009, Louisiana policymakers proactively made changes to TRSL to ensure long-term sustainability. These included:

- Restructuring the cost of living adjustment (COLA) to greatly restrict payments and to tie the COLA to the funding status of the plan for new employees.
- Reducing benefits for teachers hired after 1/1/11 by eliminating normal retirement before age 60, adjusting final salary, capping salary increases, and requiring a higher age for normal retirement.

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# AARP IN THE STATES



## BY THE NUMBERS: Teachers' Retirement System of Louisiana



The **Teachers' Retirement System of Louisiana (TRSL)** provides a defined benefit (DB) pension for teachers, who are not covered by Social Security. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced teachers, who provide quality education for our children. DB pension payments also support the state's economy.

### Key facts about the plan and its benefits:



**84,068**

Total active members of the Teachers' Retirement System of Louisiana.



**62.5%**

After a 30-year career, TRSL will replace 62.5% of an employee's pre-retirement income — and no Social Security benefits.



**\$2,131**

Typical pension benefit paid to retired TRSL members each month.

### Pensions are a good deal for taxpayers:

Funding of teacher pensions is shared by employees and employers. New TRSL employees contribute 8% of pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers (employer contributions) paid only 35.3% of the cost of pension benefits.

**49.8%**

Investment Earnings



**35.3%**

Employer Contributions

**14.9%**

Employee Contributions

### The spending from the pension checks of the 78,334 retired public employees helps support:



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**36,673 jobs**

paying those workers in Louisiana \$1.6 billion in income.



**\$941.6 million**

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### Pension benefits are a good deal for the economy too:

Each dollar "invested" by Louisiana taxpayers (employers) in these plans supported **\$3.81** in total economic activity in the state.



**\$1.00**

**\$3.81**

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### Pensions Help Deliver Quality Education in Louisiana

Defined benefit (DB) pensions play a fundamental role in retaining high-quality, experienced teachers in the classroom. These effective, experienced teachers are the most important school-based element that provides quality educational outcomes for our children.

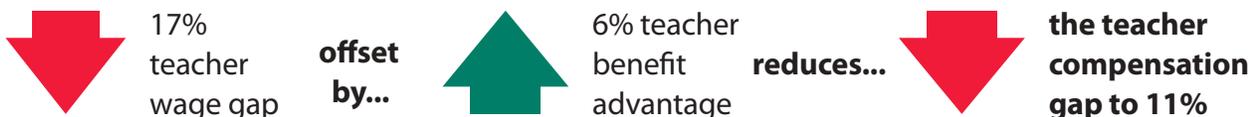
A wide body of academic research on teacher productivity finds that teachers become more effective with experience. These studies demonstrate that experienced teachers have students who achieve at higher levels. In contrast, when experienced, mid-career teachers are replaced by inexperienced teachers, other studies show productivity drops across the school.

DB pensions give schools an effective tool to retain experienced teachers. These benefits provide teachers an incentive to continue delivering quality education to K-12 students.<sup>1</sup> This incentive becomes all the more important over a teaching career as the erosion of teachers' wages, when compared to the wages of similar college educated workers, widens for more experienced teachers.

There are important policy reasons to continue offering teachers DB pensions. Because pensions help attract and retain workers, Louisiana can keep teachers in the classrooms and empower students to achieve their highest potential.

### Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 17 percent pay gap relative to comparable private sector workers in 2015. At the same time, teachers' benefits, including pensions, help bridge that gap and allow states to attract and retain highly qualified educators by reducing that overall gap in compensation to 11 percent. In Louisiana, teachers experience a 19% wage gap when compared to other college graduates in the workforce.<sup>2</sup>



Americans understand that teacher pensions play an important role in retaining quality teachers and in offsetting the impact of their lower salaries.



92 percent of Americans say pensions are a good way to recruit and retain qualified teachers.



81 percent of Americans agree that teachers deserve pensions to compensate for lower pay.<sup>3</sup>

# Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are better teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.<sup>4</sup>

**7.1%**



Percentage of Louisiana teachers who leave education.

**449**



The number of Louisiana teachers retained each year due to the DB pension.

**\$2.0B to \$4.3B**



The DB system savings in teacher turnover costs in school districts across Louisiana.



TRSL serves 84,068 active employees and 78,334 retired members and survivor beneficiaries.



New employees contribute 8% to the fund.



Employers contribute 26.2% to the fund.



The average monthly retirement benefit for members is \$2,131.



TRSL has \$17.5 billion in actuarial value of assets and \$11.7 billion in unfunded actuarial accrued liability.<sup>5</sup>

## The Economic Impact of Louisiana Pensions

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in economic output generated by retirees' spending from public pensions in Louisiana.

**36,673 jobs**



paying \$1.6 billion supported by retirees spending from public pensions in Louisiana.

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<sup>1</sup> Weller, C. 2017. "Win-Win: Pensions Effectively Serve American Schools and Teachers." Washington, DC. National Institute of Retirement Security (NIRS).

<sup>2</sup> Allegretto, S. A. and Mishel, L. 2016. "The Teacher Pay Gap Is Wider than Ever." Washington, DC. Economic Policy Institute.

<sup>3</sup> Oakley, D. and Kenneally, K. 2017, Pensions and Retirement Security 2017: A Roadmap for Policy Makers. Washington, DC. NIRS.

<sup>4</sup> Boivie, I. 2017. "Revisiting the Three Rs of Teacher Retirement Systems: Recruitment, Retention, and Retirement."

<sup>5</sup> All data, unless otherwise noted, as of fiscal year ended 2016.

<sup>6</sup> Brown, J. 2016. "Pensionomics 2016: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC. NIRS.