## TRSL Demographics

<table>
<thead>
<tr>
<th>Membership</th>
<th>Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Active members</td>
<td>82,910</td>
</tr>
<tr>
<td>Retirees and beneficiaries</td>
<td>71,031</td>
</tr>
<tr>
<td>DROP participants</td>
<td>2,451</td>
</tr>
</tbody>
</table>
### Retirement System Participation

As of 12/31/2013

<table>
<thead>
<tr>
<th>Category</th>
<th>ORP</th>
<th>TRSL Regular Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>Higher education (including LSU)</td>
<td>7,136</td>
<td>46%</td>
</tr>
<tr>
<td>LSU</td>
<td>3,576</td>
<td>53%</td>
</tr>
</tbody>
</table>
TRSL is funded on an actuarial basis. Budgeting for the cost of the pension plan is determined through an actuarial valuation.

An actuarial valuation is the mathematical process of determining a pension plan’s condition, required contributions, assets, and liabilities.

TRSL’s actuary performs an annual valuation of the plan. This valuation projects required contributions to finance the plan.

The cost of benefits is funded over the employee’s career through the normal cost.

Contributions and investment earnings fund the benefits with the intent of accruing sufficient assets before benefit payments begin.
Employer Contribution

- Required employer contribution projected in valuation is expressed as a percentage of payroll and consists of two components:
  - Normal cost (present value of benefits that have accrued on behalf of the members during the valuation year); and
  - Amortization payment (the amount needed to pay off unfunded liability over the funding period).
- Employer contribution rate is determined for each TRSL subplan. Higher education has a distinct subplan.
Actuarial Cost Method

- TRSL’s liabilities are financed based on an actuarial cost method, which determines how pension costs are allocated over the course of a plan participant’s working life.

- TRSL uses the Projected Unit Credit (PUC) method, which is required by statute.

- Projected Unit Credit method is the present value of the expected benefit resulting from the service credit earned during that year.
Present Value

- Present value of an amount of money payable in the future is the amount of money that, if we invested it today, would accumulate to the amount that will be payable in the future.

- The calculation of present value depends upon actuarial assumptions, which are expectations about the plan’s future experience.
  - Economic assumptions: investment return, salary growth, inflation
  - Demographic assumptions: retirement rates, withdrawal rates, mortality rates, disability rates
Experience Study

- Every 5 years, TRSL’s actuary performs an experience study, in which the plan’s experience over the preceding 5 years is reviewed.
- Experience study findings determine whether demographic and economic assumptions for the plan should be changed.
- Last TRSL experience study completed as of June 30, 2012.
Experience Study Findings

- Increased withdrawals (termination of employment prior to vesting or reaching retirement eligibility) and delayed retirements in higher education resulted in assumption updates, which decreased the present value of benefits.

- Essentially, the increased number of higher education employees leaving the plan/terminating employment or delaying their retirement over the previous 5 years resulted in a decrease in the cost of the plan.

- The plan’s decreased cost requires less funding and thus a reduction in the normal cost rate.
2014 Legislative Session

To convene: Monday, March 10

To adjourn: Monday, June 2
Optional Retirement Plan (ORP)

- **SB 23 (Guillory):** Would allow active ORP participants to transfer into the TRSL regular retirement plan on an actuarial basis.
  - Benefit calculation and retirement eligibility based on date of first employment that made person eligible for state system membership.

- **HB 6 (Pearson):** Would establish a minimum employer contribution rate for amount which is transferred to ORP participant accounts.
  - Rate each fiscal year would be the greater of:
    - (1) the equivalent of the employer portion of the normal cost; or
    - (2) 6.25%
Benefit Structure Changes

- HB 38 (Pearson): Would raise retirement eligibility age from 60 to 62 for those hired on or after July 1, 2014, in the TRSL DB plans.
Investments and Valuation Method

- **HB 80 (Miller):** Would set new asset allocation and other guidelines for alternative investments, fixed income securities, and real estate.

- **SB 13 (Peacock):** Would establish a new valuation method by which to calculate the system’s actuarial rate of return and assets, starting with the June 30, 2014 valuation. Valuation method would change from the projected unit credit to entry age normal.
Unfunded Accrued Liability (UAL)

- **HB 43 (Pearson):** Would apply any remaining funds from the experience account (used to pay PBIs) toward the original UAL.

- **HB 86 (Ivey):** Would require more excess investment returns to be applied to the UAL prior to allocation to the experience account.

- **SB 3 (Guillory):** Would dedicate certain gaming revenue to existing retirement liabilities and benefit increases for retirees. Applies to the four state retirement systems.

- **SB 22 (Guillory):** Would dedicate 5% of revenue generated from the legalization of marijuana to a State Retirement Fund. Moneys appropriated from the fund to the four state retirement systems to be applied to the UAL (80%) and the experience account (20%).
SB 29 (Walsworth): Would exempt “educational diagnosticians and reading specialists” from benefit suspension upon returning to work.

HB 29 (Cox): Would impose a 25% earnings limit to any TRSL member who returned to work. Maintains current law related to those qualifying as “retired teacher” eligible to receive a benefit while re-employed.

HB 21 (Hensgens): Would clarify the “retired teacher” provision to include a “substitute classroom instructor,” who does not need a teaching certificate.

HB 82 (Jones): Same as HB 21
Permanent Benefit Increase (PBI)

- 5 bills and 1 constitutional amendment propose some form of a permanent benefit increase (PBI) or benefit supplement to eligible retirees and beneficiaries. PBIs payable on July 1, 2014.
  
  » SB 21 (Guillory) & HB 31 (Jones): 1.5% PBI to eligible retirees and beneficiaries under experience account law.
  
  » HB 4 (P. Williams): up to 1.5% PBI to eligibility retirees and beneficiaries; eligibility same as experience account law.
  
  » SB 17 (Long): supplemental benefit to be in addition to 1.5% PBI; amount to be determined later.
Permanent Benefit Increase (PBI)

» **HB 88 (Barrow):** Constitutional amendment that would set up a Seniors’ Supplemental Fund in the state Treasury to be credited with 10% of nonrecurring revenues. Would require the legislature to determine procedures for distribution of funds and to whom. Proposed amendment to be on ballot November 4, 2014.

» **HB 90 (Barrow):** companion legislation to HB 88; provides for minimum supplemental payment of $300 for eligible recipients. Effective upon passage of HB 88.
Other Areas

- **Employer Contributions:** HB 37, HB 44, and HB 89 - generally, bills require certain retirement contribution payments to be withheld from employers receiving MFP funds prior to distribution of such funds and for transmittal to TRSL, with each bill varying as to approach.

- **DROP:** HB 28 would allow members to revoke decision to participate in DROP within 72 hours of election.

- **Membership:** HB 25, HB 45, and HB 81 would prohibit TRSL membership for new employees of LFT, LAE, APEL, and LRCE on or after September 1, 2014.

- **Disability:** HB 63 would allow state agencies to update language related to disability contained in publications and other materials to preferred terminology. Would update certain terminology in TRSL disability law.
Any questions?

- Phone: 225-925-6446
- Toll-free: 1-877-ASK-TRSL (1-877-275-8775)
- Email: web.master@trsl.org
- Website: www.trsl.org
- Address: 8401 United Plaza Blvd., Ste. 3, Baton Rouge
- Hours: 8 a.m. - 4:30 p.m., Monday - Friday