

FROM: Kevin L. Cope, President, LSU Faculty Senate and Chair, LSU System Council of Faculty Advisers

TO: LSU System Council of Faculty Advisers; LSU Faculty Senate; LSU Faculty Senate Executive Committee; Association of Louisiana Faculty Senates; LSU Benefits Advisory Committee Roger Laine; Selected professors throughout the LSU System who have written concerning the ORP contribution rate question

Dear Friends of the LSU Faculty Senate and of Louisiana Higher Education,

I'd like to thank you for the steady stream of correspondence (and with it, important information) that has come my way since the unhappy discovery of the decline in state contributions to the Optional Retirement Plan (ORP). The quantity of correspondence has set a new record and speaks well for the level of engagement with faculty governance in our state. Please forgive me for issuing a general letter rather than writing to thank each of you individually. The number of letters has been so great (and so welcome) that I'd never have time for the important task at hand if I were to answer each one individually. I'll try to do better next time!

Meanwhile, I'd like to give you an update concerning our search for information about the startling decline in state contributions to the ORP and also let you know what faculty governance bodies are doing to counter this threat to our economic well-being.

As most of you know, the optional retirement plans do not operate in a truly independent environment, but remain under the aegis of the Teachers' Retirement System of Louisiana. These plans are not "optional" in the sense that they allow participants to opt out of state-managed offerings. The Teachers Retirement System of Louisiana (TRSL) labors under a shortfall that, according to TRSL web pages, dates back at least to 1970. The web pages do not explain the origin of this shortfall or the management techniques or investment strategies that led to it. Presently, whether right or wrong, the entire TRSL system, including the ORP programs within it, are responsible for funding this unfunded liability. Employers (such as LSU or any other university in the state) and employees make a constant contribution, currently 15.5% of salary in the amalgam. In the case of ORP participants, however, the amount necessary to maintain solvency in the face of the unfunded liability is clipped from the employer contribution and transferred to the pool of resources used to keep the TRSL solvent. The precise "numbers" used are determined by TRSL-selected actuaries and then approved by the Board of Trustees of TRSL.

Although this arrangement is technically "legal" under laws presently in force, it clearly raises some questions and calls for some sort of action.

The first and most obvious comment is that the TRSL system is not giving signs of expertise or even competence. Statistics on the history of TRSL and ORP may be found on one of TRSL's web pages: http://trsl.org/employers/index.php?page=Contribution_rates . One of the more critical figures may be found in the extreme lower-right corner of this web page (please scroll down to the very bottom), where it will be discovered that the total percentage of income/contributions transferred to retirement plans is now lower than it has been in the entire history of ORP and, moreover, has fallen off nearly 1.2% this year (for a person making \$80,000.00 per year, that amounts to a total compensation cut of around \$1,000.00).

The second, related problem that arises is that reporting and transparency requirements for TRSL and ORP are minimal. TRSL's web page boasts that TRSL sends a letter detailing

contribution statistics to members each year but that TRSL is not required to report that information or even explain itself to ORP members, who do not directly participate in TRSL but are nevertheless regulated by it. TRSL need only inform ORP *employers* of its intentions.

From problem two arises problem three: If TRSL did follow its rules and report these declines to employers, why did the employers not immediately report this startling decline to employees?

Problem four: Buried in the TRSL online documentation is the comment that actuaries began using new assumptions for calculating unfunded liabilities in June of 2008. These new assumptions are neither declared nor explained. We do learn on the TRSL web page that asset valuation played a part, which, again, suggests poor investment strategy on the part of TRSL.

Next, for problem five, we have the apparent lack of adequate employee (and faculty) input on the TRSL. The entirety of higher education is represented by Dr. Jerry Baudin, an able and long-serving friend of LSU but nevertheless only one person in a system that represents gigantic interest sets and that has numerous trustees.

Sixth: We have no explanation concerning the failure of University lobbyists to deal at the state level with this important aspect of faculty life.

The question that naturally arises is: What will faculty governance do about this?

Several actions are already in the works. First, the LSU System Council of Faculty Advisers—the Senate Presidents for the LSU campuses—will hold a meeting later this week and will discuss strategy. Likewise, the LSU Faculty Senate Executive Committee will also meet and will collate information. Thus, the first step will be the framing of a plan at both the local and the System-wide level. That plan will include ways in which all the higher education systems may help in the quest for fair benefit management. Second, our LSU Benefits Committee chair, Prof. Roger Laine, is now working full-throttle on this issue. Third, we are investigating a variety of pointed questions. For example, we are wondering aloud whether Louisiana universities may fall below the social security minima and whether universities are in compliance with their social-security opt-out agreements. More generally, we are beginning inquiries as to whether other state systems require ORP members to remain within state teachers' systems; what the prospects of a separation from TRSL might be; how the “option” in “optional retirement plan” might be enlarged and enhanced; where LSU stands in retirement contributions with regard to other ranked research institutions; and likewise where Louisiana higher education generally stands vis-à-vis retirement funding, and, perhaps most sensitively, whether universities are misleading new hires as well as continuing employees regarding their compensation packages (i.e., what the impact of a full disclosure of TRSL management practices on hiring might be).

That's where the matter stands right now. This is a statewide issue involving four higher-education systems; it won't be fixed overnight, but we are going to try to fix the problem within a reasonable span of time. More updates will follow

With best wishes,

KEVIN