

TO: Louisiana Faculty Governance Participants

ALSO TO: Colleagues Expressing Interest in the
“ORP” (Optional Retirement Plan) / “TRSL”
(Teachers’ Retirement System of Louisiana)
Controversy

FROM: Kevin L. Cope, President, LSU Faculty
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Dear Colleagues,

It has been some months since I last communicated with you concerning the continuing discussions about the Optional Retirement Plan, the Teachers’ Retirement System of Louisiana, and the recent assessments on employers’ contributions to retirement pools (which have resulted in a decrease in the sums that reach employee accounts). As I suggested in my first letters, dealing with this problem will be a long process that requires steadiness as well as tenacity. I write today to provide an update.

Since my last correspondence, several important events have occurred. First, and most visibly, one of our Louisiana legislators, Representative Tucker, has begun asking disquieting questions about all the state retirement systems and about the origins of the unfunded accrued liability that accounts for the reduction in actual benefits received. The attention that Representative Tucker is focusing on the mix of poor decisions and unaccountable management is helping to show that the problems of ORP participants are not idiosyncratic to higher education but rather are typical of state retirement programs. Public interest in the

inadequacy of benefit plans has never been so high.

Behind-the-scenes discussions have also been fruitful. With the help of sympathetic members of the LSU Board of Supervisors, we have established communication with the Louisiana legislature. The connections between ORP and TRSL are entangled in an array of state laws. Our goal will be the disentangling of ORP from TRSL so as to provide higher education professionals with a retirement plan over which they can exert less diffuse control. Presently, the TRSL has only one board member from the ranks of higher education (who is a retired rather than active employee) but fourteen others representing constituencies whose needs have little in common with those of university employees.

I and LSU Benefits Committee Chair Roger Laine have requested an opportunity to address the LSU Board of Supervisors, a politically well-connected entity that often takes the lead in developing higher education employment policy. Professor Laine and I are working on obtaining legal counsel to assist us and to investigate the possibility of a class-action lawsuit. Meanwhile, LSU Faculty Senate graduate assistants have completed a study demonstrating that Louisiana is perversely unique in relinquishing its higher education optional retirement program to a vast state bureaucracy rather than creating a board specifically for higher education retirement plans (see these studies and spreadsheets at <http://www.lsu.edu/senate/optional%20retirement%20controversy%20links>).

Faculty governance throughout the state has risen to this crisis. Thanks to help from faculty governance officials throughout Louisiana, I now have in-hand a stack of concurring resolutions and an abundance of letters of support. The ORP debate has produced the largest coalition in Louisiana higher education history. Resolutions and letters I like those that have arrived to date prove to government officials that university professionals comprise a large voting block and exert political influence. These documents are cited in every ORP-related debate.

It is worth noting that the “ORP” issue also affects mainstream TRSL participants. In addition to the budget cuts that are devastating Louisiana universities, higher education institutions may well have to face additional charges in the form of unexpected employer contributions that will go not to employees but to the growing unfunded liability. Although it is not yet clear whether the state will require universities to cover this cost, many institutions are already preparing for multi-million-dollar charges (at LSU, for example, the

estimated additional payment to TRSL would amount to approximately ten million dollars, nearly 40% of the cut that LSU sustained mid-year; other institutions would face proportional assessments).

The progress made on this issue has been steady and deliberate. The battle is not yet won but the strategy is in place and the troops are marching. I shall keep you advised and am thankful for your continuing support.

With best wishes,

Kevin L. Cope