

TO: Association of Louisiana Faculty Senates; LSU System Council of Faculty Advisors; LSU Faculty Senate; LSU Faculty Senate Executive Committee; Baton Rouge AAUP Liaison; Colleagues statewide who have contacted the LSU Faculty Senate

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

RE: Update concerning the controversy concerning contribution rates to the Optional Retirement Plan

Dear Friends and Colleagues,

Let me begin by thanking all of you for the outpouring of letters, comments, queries, and expressions of support that have arrived in my email box over the last few days. If there is a “silver lining” to the cloudy matter of the retirement plan contribution controversy, it is surely an increase in faculty solidarity as well as a heightened awareness of the urgency of faculty supervision for educational services and institutions. The tarnish on the silver lining is that it has not been possible for me to answer all letters with my wonted degree of punctuality. I’m gradually working my way through the email queue and will get back to you as quickly as my typing fingers can move me toward that goal.

Now to the business at hand.

As many of you may know, the Teachers Retirement System of Louisiana (TRSL) has issued a reply to my letter concerning the sudden and significant reduction in that portion of the employers’ contributions to optional retirement funds that passes through the TRSL and ultimately reaches accounts held by Optional Retirement Plan (ORP) participants. To refresh your memory: That amount has been reduced by roughly 1.2%, from approximately 6.9% to 5.7% of the amount that an employer pays. Calculated with reference to the total, composite payment from both the employee and the employer, the reduction is from approximately 14.8% to 13.6%. This figure represents both the largest drop in the history of the ORP as well as the lowest total contribution in the history of this plan. For a colleague earning \$65,000.00 annually, this cut represents a loss to his or her retirement account of \$780.00 for this year alone. It is easy enough to extend that sum of money to higher wage earners and also across the entirety of Louisiana education (both higher and PK-12) and thereby arrive at the vast sums of money now being clipped away.

Alarmed by the widespread adverse reaction to this minimally publicized reduction of benefits, the TRSL has issued a letter to ORP participants, transmitting it to them through ORP vendors. This letter attempts to diffuse the controversy with what it calls “factual information.” That “factual information” includes the affirmation that the TRSL hires actuaries every five years to calculate the respective contributions of employers and employees to ORP plans and also to determine the deduction from these sums needed to pay off the “unfunded liability.” The TRSL letter thus attempts to justify or at least explain the sudden reduction in funds passed through to employee retirement accounts in a tautological way, by affirming that there will be an increase because TRSL-recruited actuaries have determined that there will be one. Evasive, the letter makes no attempt to address the issues that underlie the present economic injustice.

Let me attempt to summarize the problems that Louisiana faculty governance is now addressing. This summary is not intended as a technical analysis, but rather as an update to let

our faculty constituency know what we regard as the problem and also what we are planning to do about it. First, the fundamental problems.

1. The reduction emerges from a legally mandated program to pay off the “unfunded liability” encumbered on TRSL. According to the TRSL, this liability emerges from “benefits given to teachers between 1936 and 1989.” This politics-generated obligation, which began evolving under the guidance of Huey Long discipline Governor O. K. Allen and continuing through the era of Edwin Edwards, will not be paid until 2029. It will hover during most of the working lives of all persons now active in higher education. Under the present arrangements, there will be no relief from this burden from the past.

2. The TRSL presents itself as a bystander that is required to implement legislative mandates. That role, however, would not seem to preclude its board from advocating for better faculty benefits or questioning the fairness of the aforementioned policies. There is little evidence of the TRSL advocating for the economic welfare of the professorate.

3. However formidable the contributions of individual TRSL Board-or-Trustees members may be, the structure of the Board, which includes sixteen members but only one member who represents the totality of higher education, inhibits or even prevents fair representation of the interests of higher education professionals. Under the present arrangement, all of higher education is represented by less than 7% of the voting power on the TRSL Board. The Board includes some influential political appointees with support bases well outside the influence of university professors. The official State online biography of one such trustee describes that trustee as “a trusted advisor” to “[former] NASA administrator Sean O’Keefe.”

4. What one ORP member has called the “tax on choice” (the surcharge on employer contributions to ORP to fund the repayment of the unfunded liability) is made possible by the lack of a true choice of retirement plans. There is no “option” that stands outside the administrative influence of the TRSL. The misleading use of “optional” in “Optional Retirement Plan” conceals the lack of any opt-out choices. TRSL thus has an open-ended license to impose the unfunded liability surcharge not only on present employees but on all future recruits, none of whom have any meaningful way to challenge that levy (a form of taxation without representation).

5. The rules, structure, and policies of the TRSL are not conducive to the recruitment or retention of faculty with national reputations or options. Rather, they are counterproductive and damaging to the future of Louisiana, for they repel rather than attract worthy scholars and educators. Louisiana higher education already has some of the worst retirement benefits in the nation. Further reductions will only impair growth and development potential.

6. TRSL collects a 0.1% “administration fee” from ORP participants but stresses that, once in ORP, they are not members of TRSL. Indeed, TRSL does not even maintain an email address list for the ORP participants from whom it collects this administration charge, relying instead on retirement fund product vendors to communicate policies. Were one of those vendors to fail, TRSL would be without means to communicate directly with the payers of the administration service charge. Clearly, TRSL lacks a commitment to customer service.

7. The failure of TRSL to communicate its plans, intentions, and actions in clear language also raises questions concerning its attitude toward clients. For example, the TRSL refers to the reduction in payments to employee retirement accounts as “a lower normal cost rate,” as if this cut represented an improvement in service.

The discovery of the benefit reduction represented by the net reduction in employer contributions has thus revealed a complex matrix of problems with the retirement “options” for Louisiana education professionals. These problems are deep and statewide as well as complex. What, then, does Louisiana faculty governance, as led by the Faculty Senate at LSU, plan to do? Already the following plans have been developed:

1. The LSU Faculty Senate is assembling information concerning retirement systems at peer, SEC, and assorted comparable state University systems. Already it is clear that there is considerable variety among state higher education systems with regard to the governance of retirement programs.

2. The leadership of the LSU Faculty Senate has opened a dialogue with the LSU administration concerning the retirement issue. It is important to note that the majority of administrators are members of the ORP and are therefore equally or even more affected than faculty by the maneuvers of the TRSL. To date, cooperation from the LSU administration has been excellent and productive.

3. The LSU System Council of Faculty Advisors has discussed ways in which to establish statewide consensus among all higher education professionals in all systems and on all campuses concerning the inadequacies of the retirement offering. To date, opinion has been unanimous; indeed, this event may be the greatest consensus-builder in faculty governance history. ALFS (the Association of Louisiana Faculty Senates) has accepted an LSU suggestion that it form an inter-system council to expedite our collective response to emergent situations and to mobilize the powerful voting block comprised of thousands upon thousands of higher education employees.

4. In particular, LSU faculty leadership will begin exploring the possibility of splitting off higher education retirement funds from the TRSL.

5. If satisfactory progress is not made, the LSU Faculty Senate will pass a vote of

censure against the TRSL and will encourage other faculty senates to do the same.

6. We are exploring options for legal advice with respect to all of the above-mentioned items, especially with regard to withdrawal from the TRSL.
7. Information concerning the negotiations and other actions will soon be posted on the LSU Faculty Senate web site, www.lsu.edu/senate (note: that web site is undergoing renovation, but we hope to post the information by the end of this week).
8. The LSU Faculty Senate is about to re-start its series of Chancellor-Senate Forums, the first of which will address a range of economic issues, including the deficiencies of the retirement program. We will encourage all other Senates to initiate such forums.
9. We will take advantage of our good relations with the press to publicize this problem, and we will likewise voice our protests to the state legislature.

As I mentioned in my first letter, the problems with the retirement program will not be solved overnight. However, we have already sent a louder and clearer message than has ever before been transmitted or heard. We have a new cluster of conditions, including a convergence of interests among both faculty and administrators, that will energize this proposed reform. It is the success of Louisiana higher education in attracting industrious, perceptive, thinking, and courageous colleagues to our universities that has led to this series of revelations about the inadequacy of our retirement options and that will surely lead to unprecedented successes.

More information will be distributed as events unfold.

With best wishes,
Kevin L. Cope