

The Retirement Plan Crisis: Summary

Kevin L. Cope, Faculty Senate President, Louisiana State University

- The “unfunded accrued liability” or “UAL” has been accumulating since the 1940s owing to inadequate funding of the defined-benefit plan (“TRSL”).
- Employees and employers together pay nearly 32% of income to the “optional retirement plan” (“ORP”), but less than 14% reaches employee accounts.
- Participants in the defined-benefit (“TRSL”) plan are not immune to the effects of the UAL burden; universities pay a huge sum as a direct charge or “unfunded mandate” that would otherwise support pay raises, travel, and other forms of compensation. Given the rate of expansion of the UAL, the defined-benefit plan may become insolvent as early as 2018.
- The amounts paid by Louisiana into higher-education retirement accounts are dramatically lower than all other comparable university systems in other states (in the neighborhood of 40% of what other states pay).
- Mixing of retirement with general budget funds, entailing of the “UAL” on a new retirement plan (the ORP in 1992), inadequate separation of state agencies from non-state retirement plans, and shortfalls with respect to minima for exemption from Social Security all raise questions concerning the legality of the present system.
- Higher education retirement plan participants lack adequate representation on a large TRSL board that overwhelmingly represents K–12 interests and which contains several political appointees. ORP participants are charged management fees but are not allowed to vote in TRSL elections.
- Auditing of the retirement programs is intermittent and is carried out by private contract auditors answerable to the executive branch of the Louisiana government.
- TRSL management has repeatedly demonstrated hostility toward elected faculty governance officials and has testified against the faculty and its interests during legislative hearings.
- Inadequate supervision of the ORP has led to shoddy service and inadequately trained service by vendors, who enjoy a protected status vis-à-vis other vendors.
- Both the selection of vendors and the fund selection within the vendors’ programs are controlled by TRSL management without any faculty input or any obligation to justify or even explain choices.
- For more information, please visit <http://www.lsu.edu/senate/optional%20retirement%20controversy%20links> .