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Amendment seeks to curb state retirement spending

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You decide
• A vote for Constitutional Amendment No. 3 would prohibit future benefit increases for public employees in the state retirement systems unless a way to pay for them is identified, and the state can pay off the cost within 10 years.
• A vote against it would allow the continued approval of such increases by the state Legislature, just as long as the cost could be paid within 30 years.
SOURCE: The Public Affairs Research Council

Third in a series of stories on the constitutional amendments featured on the Oct. 20 ballot.

BATON ROUGE -- If voters approve the third constitutional amendment on next weekend's ballot, the Louisiana Legislature would be prohibited from approving retirement benefits for certain public employees unless there is money to pay for increases.

It's an accountability measure, but state Sen. Walter Boasso, the Democrat from Arabi who wrote the amendment and presently shares space with it on the fall ballot as a gubernatorial candidate, said the proposal reaches much further.

"This is an effort to bring reform to a system that has largely gone unchecked for generations," Boasso said.

Presently, the Legislature can approve benefits for the state's four retirement systems, even if there's no money available to pay for it. Additionally, any debt created by the benefits doesn't have to be eliminated, under state law, for 30 years.

That large timeframe has allowed Louisiana to incur more than $12 billion in debt for the retirement systems housing state employees, teachers, State Police and school employees. Furthermore, the clock is ticking -- since payments are spread out, interest is constantly accruing.

Prior to 1988, the state failed to ensure that appropriate employer contributions kept pace with benefits, according to an analysis by the Public Affairs Research Council, a Baton Rouge-based nonprofit think-tank. That resulted in an "Unfunded Accrued Liability," or UAL, which is the debt owed by the state to fully fund its retirement systems.

UAL, however, can also be created in other ways, such as investment losses, large pay raises or simply have retirees live longer.What if it passes?

State-retirement systems impacted:
• State employees.
• Teachers.
• State Police.
• School employees.

Other statewide systems not impacted:
• Assessors.
• Clerks of court.
• District attorneys.
• Firefighters.
• City employees.
• City police.
• Parish employees.
• Registrars of voters.
• Sheriffs.

SOURCE: The Public Affairs Research Council
The PAR study places UAL into two groups:

The "initial" UAL, or the amount of debt that was in existence as of June 30, 1988. According to the constitution, that debt must be paid by 2029.

The "new" UAL, debt created after June 30, 1988, is generally paid over 30 years -- not unlike a home mortgage.

Louisiana adheres to an annual payment schedule in order to retire the debt as required, but those payments are expected to increase in coming years, which is why opponents worry about a shorter, 10-year payoff period.

"Although interest will be saved, short-term payments will be higher," said PAR President Jim Brandt. "Additionally, there is fear that this requirement will reduce the Legislature’s willingness to grant benefits in the future due to legislative concerns about the 10-year payoff requirement."

Boasso argued his amendment is rooted firmly in fiscal responsibility, and the budget could have to be cut in the future anyway to address the debt already on the books.

He also said the amendment could do away with special-interest benefits, which are often pushed by lawmakers for a few select public employees.

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