



Louisiana

LOUISIANA HAS DOUBLE THE TROUBLE of most states. Although the state has been responsible in the last 10 years about meeting its annual required contribution for its pension benefits, past underfunding puts the pension system well below the 50-state norm. It also faces a fairly significant long-term bill coming due for non-pension benefits: nearly \$10 billion, of which \$7.3 billion is for state employees. The costs, which are dominated by retiree health care, would require an initial annual contribution of \$967 million to start the state on the path toward full funding. But funding the required contribution consistently would also reduce the liability to \$6.6 billion for the total bill and \$4.6 billion for state employees. This is because the interest the state is likely to earn when it consistently invests more money over the long term can be applied to paying down the bill.

PENSIONS

TOTAL BILL COMING DUE: **\$33.4 billion**¹

FUNDS SET ASIDE: **\$22.4 billion**

PORTION UNFUNDED: **\$11 billion**

PERCENT FUNDED: **67 as of 2006**²

TEN YEAR FUNDING HIGH: **79% in 2000**

TEN YEAR FUNDING LOW: **63% in 2004**


HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: Louisiana's assumptions are somewhat more aggressive for the state employee plan than for the others, with an 8.25% interest rate assumption (compared with the 50-state median of 8%) and a relatively low assumption for inflation, giving the state an expected 5.25% real rate of return. Louisiana uses a four-year smoothing period to calculate the actuarial value of assets, one reason that its pension funding levels have improved in the last several years, sooner than states that use a longer smoothing period and are still factoring in poor investment returns from the early part of the decade. The amortization period conforms to accounting standards.


¹ Pension funds include state employees, teachers, school employees and state police.

² 50-state mean was 82%.

KEY:  Top Performer

 Needs Improvement

 Below Par

 Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by Pew's Center on the States. The full report and 50 state fact sheets can be found at www.pewcenteronthestates.org.

OTHER BENEFITS

TOTAL BILL COMING DUE: **\$7.3 billion**¹

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$7.3 billion**²

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

¹ For state employees; \$9.9 billion total.

² \$1,713 per capita, compared to a national median of \$774.

REFORMS: In 2007, the Louisiana legislature authorized the state's smaller governments (e.g., localities) to create trust funds for non-pension benefits. In the previous year, the state passed several "anti-spike" measures for new school employees to discourage inflation of final salary amounts used in determining how much employees receive in pensions upon retirement. It increased the multiplier formula for disability pensions for school employees, but lengthened the period of state service needed to qualify from five years to 10 years. In recent years it has also tightened up on eligibility requirements for purchasing service credit and increased legislative oversight of the state's retirement systems.



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