LSU AGCENTER FACULTY COUNCIL
MEETING MINUTES
September 18, 2009

Members Present: David Blouin, Wayne M. Gauthier, Andrew Granger, Mike Hebert, James Hendrix, Clayton Hollier, Jeff Hoy, Collins Kimbeng, Joan King, Johnny Saichuk, Philip Stouffer, Dianne Glasgow, and Ed Twidwell.

Members Absent: Joan Almond, Mandy Armentor, Natalie Hummel, Donna Lee, Diane Sasser, Adrianne Vidrine, Richard Vlosky and Deniese Zeringue

Proxies: Joan King for Denise Zeringue, Dianne Sasser, Andrew Granger for Mandy Armentor

Guests: Chancellor William B. Richardson, LSUAC; Dr. John Russin, Associate Director, Louisiana Agricultural Experiment Station; Jerry Baudin, Board Member, TRSL; Charles Hall, Actuary; Maureen H. Westgard, Director, TRSL; Stuart Cagle, Deputy Director; Roy A. Mongrue, Jr., General Counsel; Greg Henderson, Professor, Entomology

HIGHLIGHTS

- **Needed: "Cleaner" Appointment Process for Advisory Committee Members (1)**
- **No ACORN Contracts in LSUAC (2)**
- **2008 Hiring Freeze in Effect (2)**
- **LSUAC Operates 366 of Louisiana's 12,000 Vehicle Fleet (3)**
- **REC's Mid-December Forecast To Influence Mid-Year Budget Cut Decision (4)**
- **Merit Increases To Be Related to Annual Evaluations (5)**
- **Animal Sciences Complex Is $16 Million Dollar Capital Outlay Project (6)**
- **Two State Commissions Evaluating Louisiana's Higher Education Institutions (7)**
- **Funding Competition to Intensify Between Two and Four Year Institutions (7)**
- **Course Credit Transfers As Much About Money As Content Knowledge (8)**
- **Dean Koonce Creating Commission Regarding COA Reorganization (9)**
- **Chancellor Advised that Faculty Not Involved in Unit Head Evaluations (10)**
- **Raise Monies Not Likely in Immediate Future (11)**
- **Fifty-Five (55) LSUAC Employees Opt for Early-Out Retirements (12)**
- **Net LSUAC Positions Lost in FY 2009: 157 (13)**
- **Impacts of Position Losses Yet to be Experienced. Limited Back-Fills OKed (13)**
- **Grant Accounting Activities Shifted From LSUAC to LSU-BR (14)**
- **Ms. Coulon Introduces TRSL's Director Westgard and Staff (15)**
- **Brief History of LSU Retirement Plans (16, 17, 22)**
- **TRSL Created 1936. LSU System Merged With TRSL. ORP Created 1992. (17)**
- **TRSL Designated Mandatory Manager For Higher Ed Retirements Plans (17, 26)**
- **TRSL's Defined Benefits Guaranteed by State of Louisiana (17, 30)**
- **Louisiana is Employer. LSUAC is Member Institution Responsible for Employer Contribution to Both TRSL and ORP Employee's Retirement Plans (17, 18)**
- **TRSL Defined Benefit Plan / ORP Defined Contribution Plan. Critical Distinctions (19, 20, 30, 37)**
- **Legislature Mandated Equal Employer Costs for TRSL & ORP (17,18,21,22,28,30)**
- **Reasons for Variations in TRSL & ORP Benefits (19,20,21,28,29,30)**

● TRSL Benefits Established by Formula (19)
● ORP Benefits Subject to Performance of Carrier's Investments and Contract (20, 28, 30)
● Economic Value of Unused Leave Positive in TRSL Plan; Zero in ORP (20,37)
● ID of Demographic Variables Characterizing TRSL Plan Members (24, 27)
● Implications of "Normal Cost" to Employer Contribution & Employee's Benefit (27,32,35,36)
● TRSL Experiences UAL From Conception to Present Time (23, 26, 31,33)
● Annual Actuarial Audits Determine "Normal Costs" (24)
● Normal Cost Determine Institutional Member's Employer Contribution (24)
● Experience Study Accomplished Every Five Years (24)
● Total Employer Contribution = Normal Cost + Unfunded Accrued Liability (26)
● Normal Cost = (15.5% - Unfunded Accrued Liability)
● Contribution to Employee's Retirement Plan = [Employee's Contribution (8%) + Normal Cost] (27,28, 32,35,36)
● 0.1% Administrative Fee Deduct From ORP's Employee's Contribution to TRSL for Transactions Services (21,28)
● Collection & Dissemination of Retirement Contributions only TRSL & ORP Link (29)
● Credits for Military Service and Investment Losses Increase TRSL's UAL (31)
●Politics, the Interest Discount Rate Assumption and the Normal Cost (32)
● State of Louisiana's Debt to TRSL Restructured in 2008 (33)
● Normal Cost Influenced by Politics and Demographics (34)
● LSUAC Contributes 15.5% Towards Normal Cost and UAL (26,31,35,36)
● Methodology For Actuarial Calculations Specified in Louisiana Statue (36)
● Actuarial Calculations Subject to Approval of Trustees and PRSAC (36)
● LSUAC Not Alone In Its Financial Stress Among Land Grant Institutions (38)
●Centers Can Attract Funding That Individuals Cannot (39)
● Citrus Research Station Is Now Central Research Station (40)
● Formula Funding Expected to Remain Stable (41)
● Livestock Research Is Major Need (42)
● Core Research Questions for LAES Administrators & Researchers (42)
● No Plans to Close Either Dairy Research Station (43)
● Many COAs Need Periodic Reviews of Their Vision Statement (44)
● National Institute of Agriculture Includes 4-H (45)
● Morrison On A Three-Day Per Week Schedule (46)
● CY 2010 Faculty Council Election Process Outlined (47)
● Share Point Website Now Active (48)
● Absence of Reports (49)

Call to Order

Chairperson King called the meeting of the Louisiana State University Agricultural Center Faculty Council (Council) to order at 09:33 a.m. on September 21, 2009 in the Sullivan room of the LSU Agricultural Center Coliseum.

Approval of August 21, 2009 Minutes

Minutes of the August 18, 2009 meeting were approved on a voice vote.

William B. Richardson, Chancellor, Louisiana State University Agricultural Center, (LSUAC)

1. Chancellor Richardson indicated that the LSUAC needs a “cleaner” process in appointing people to its service unit advisory committee. The imminent downsizing of the organization will make this process ever more critical. The process must insure that the individuals selected to serve on these advisory committees satisfy all the membership criteria combinations ranging from extension and research; professorial and agent ranks; state and parish affiliations; and other demographics of the organization. Chancellor Richardson indicated that he tends to first consider the recommendations provided by the Faculty Council as its membership represents faculty choices. In order to make for a “cleaner” process, the Chancellor asks the Council to consider a process in which the Chancellor’s office would put forth lists of individuals for the different positions which the Council would then ratify as opposed to the current practice in which the Council identifies individuals for membership on the various service unit advisory committees and then sends those lists to the Chancellor’s office as a recommended list for approval.

2. Chancellor Richardson indicated that no organization within the LSUAC had any contracts with ACORN. He also indicated that the LSUAC was still operating under the 2008 hiring freeze.

3. The state of Louisiana owns and operates nearly 13,000 vehicles. The LSUAC has 366, some having high total mileage but currently not logging a lot of mileage simply because they were taken off the highways and are used within the stations. Unfortunately, some key state vehicle managers don’t understand the legitimacy of low mileage vehicles which results in time and energy being expended on creating justifications to retain them within the LSUAC fleet. There will continue to be pressure to reduce the number of vehicles operated by the LSUAC. That pressure will persist despite the fact that some of them were obtained through grant funding.

4. Governor Jindal is evaluating the options for addressing a $950 million dollar state budget deficit in FY 2011 that commences on July 1, 2010. Of that $950 million dollars, $146 million have been allocated to reductions in the budget for higher education. Chancellor Richardson indicated that these are just working numbers given to the Commission on Streamlining Government. The outcome of the scheduled mid-December meeting of the Revenue Estimating Committee (REC) will greatly influence whether there will be any mid-year budget cuts. Corporate income tax receipts are far below expectations. The current projection is for an oil price of seventy dollars per barrel ($70/bbl).

5. The LSUAC is addressing changes in the process for distributing civil service merit increases. There is pressure on the LSUAC to tie those merit increases into annual evaluations which will render the process more cumbersome. There will be discussions with unit heads for purposes of designing a process for distributing merit increases in a manner consistent with official guidance.

6. Expectation is for a healthy capital outlay to be implemented in calendar year (CY) 2010. The Animal Sciences Complex (Complex) is the LSUAC’s major capital outlay project. The projected cost of constructing this laboratory building is $16 million dollars. In the FY 2009 legislative session, three million dollars were allocated and spent to install the necessary electrical and plumbing infrastructure for the Complex.

7. There are currently two state commissions assessing the status of higher education in Louisiana. The Commission to Streamline Government has, as part of its charge, to make an evaluation of reducing the current set of four boards of higher education to a single board. A single board is not favored by the higher education community. The Postsecondary Education Review Commission (Tucker Commission) was created to study the future of public college education in Louisiana and is required to issue its report 45 days before the start of the 2010 legislative session; that is, by February 12, 2010. They have yet to elect a chairperson. There has been a 17% increase in enrollment in the Baton Rouge Community College and a decrease in enrollment in the smaller four year institutions such as Southern University and Southeastern Louisiana University. As a consequence, there is an expectation for intense competition for funding between the two year community colleges and the four year institutions.

8. Administrators encounter difficulty in explaining to parents not familiar with the higher education system in Louisiana why credits earned at one state institution don't readily transfer and apply to degrees offered at other state institutions. The technical schools want their course credits to readily transfer into university degree credits. The difficulty has attracted legislative attention and it has to do with money. There has been an increase in the amounts of money allocated to students under Pell Grants.

9. Chancellor Richardson indicated that he had a meeting with Dean Koonce who is seeking to create a commission to look into the reorganization of the College of Agriculture at LSU-BR. The membership of this commission would be drawn from individuals who are familiar with the COA and its work. Other units within LSU-BR who had been identified in an earlier reorganization proposal have expressed a desire to create their own study commissions similar to that being advocated by Dean Koonce. The Chancellor indicated that there was merit in assessing the COA in an orderly process but not with the "slash and burn" mentality that characterized the earlier reorganization proposal.

10. Chancellor Richardson indicated that he didn't know why Faculty were not provided with an opportunity to have input into the unit head evaluation process.

11. Chancellor Richardson doubts that money will be available for raises from the state for the next two years. He also expects the next two years to be difficult because of the adverse budget situation. Other state agencies are not getting pay raises.

12. Fifty-eight (58) LSUAC employees chose to apply for early retirement, but three withdrew their applications. It was observed that the only variable the employee can control regarding their compensation at retirement is the number of years of employment.

13. The LSUAC has been reduced to a critical mass of county agents due to the combination of people exiting under the early out retirement program (55) and the number of vacant positions eliminated (82) to cope with the mid-year budget cut in 2009. Despite the loss of 157 (82+ 55) positions, Chancellor Richardson has only received one call regarding the filling of positions since the FY 2010 budget became effective on July 1, 2009. A possible interpretation of this single phone call is that the eight (8) million dollar reduction in the LSUAC's budget as reflected in the loss of 157 positions has had no apparent impact upon services needed by the state's citizens and rendered by the LSUAC. However, the majority of those individuals participating in the early out retirement program will still be with the LSUAC until November 13, 2009. After

that date, there is an expectation that the number of phone calls regarding the diminishment of services with attendant requests to fill the vacancies will intensify. Because so many people elected to participate in the early out program, there has been a void created in certain specialty areas deemed sufficiently critical enough that President Lombardi approved the LSUAC's requests to back-fill a small number of these positions with limited appointments. Under current conditions, the LSUAC is operating with $4.5 million dollars in vacant positions. The process of addressing the reduction in the budget and informing people throughout the state of the likely consequences of budget reductions to the LSUAC upon the citizens of Louisiana began in December 2008 and ran through June 2009.

14. There was a question as to why there should be queries of LSUAC faculty coming from the LSU-BR campus regarding the administration of LSUAC grants. Chancellor Richardson indicated that he was not aware of any changes in the grants administration process. The Chancellor indicated that there had been issues in the past with monies remaining in grants and not being expended in a timely manner. Richardson left and dispatched Mark Legendre to come address the issue. Legendre explained that there had been a lost of a Sponsored Programs employee who had managed those grants for the LSUAC but who could not now be replaced as a consequence of the hiring freeze and budget reduction. As a consequence, Legendre shifted the grant accounting function to the LSU-BR campus. That shift should also help the LSUAC minimize the number of compliance issues that have surfaced regarding the administration of LSUAC grants.

HRM Service Unit Advisory Committee Chair and Unit Head, Ms. Ann Coulon

15. Ms. Ann Coulon introduced the director of the Teachers' Retirement System of Louisiana (TRSL), Ms. Maureen H. Westgard. Ms. Westgard, in turn, introduced the following TRSL staff members: Charles Hall, Actuary; Stuart Cagle, Deputy Director; and Roy A. Mongrue, Jr., General Counsel. Dr. Jerry Baudin, Vice-Chancellor LSU-BR and TRSL Board Member was also in attendance. The TRSL employees and Dr. Baudin, the higher education representative on the TRSL trustee board, appeared at the request of the Council to address LSUAC employee concerns triggered by the reduction in the state's contribution into the Optional Retirement Program (ORP) from 6.90 % to 5.76% for fiscal year 2010 (FY2010), a period of time between July 1, 2009 and June 30, 2010.

Presentation by Representative from Teachers Retirement System of Louisiana (TRSL)

16. TRSL Director Maureen H. Westgard explained that she had prior experience with retirement systems in the State of Washington. Ms. Westgard explained that the ORP had been created by the Louisiana legislature in 1992 at the request of Louisiana's institutions of higher education. These institutions wanted to provide their faculties with a choice of retirement plans because of their significance in the competition for and retention of faculty.

17. TRSL was created by the state of Louisiana in 1936 to provide a retirement program for individuals working in the field of education in Louisiana. Prior to January 1, 1979, there was an LSU retirement system for higher education faculty that included a social security component. On January 1, 1979, the LSU system was merged into TRSL by legislative decree. The Louisiana legislature created the ORP in 1992 specifying that the costs to Louisiana's member institutions such as the LSUAC for its employee's TRSL and ORP plans were to be equal and cost neutral.

The Louisiana legislature designated TRSL as the mandatory manager of retirement plans for all member institutions of higher education in Louisiana. The state of Louisiana is the guarantor of TRSL benefits for its member institutions. LSUAC employees have had a choice of a TRSL or ORP retirement plan. The employee's contribution to either plan is a mandatory eight percent (8%) of salary. The LSUAC's contribution to the employee's chosen retirement plan is equal to an annually actuarially derived "normal cost". The "normal cost" percentage varies from year to year because it reflects the cost of funding TRSL retirement benefits earned in the current year. The employee's eight percent (8%) contribution, which is included in the "normal cost" rate, establishes the percentage contribution of the employee's salary that funds the employee's chosen TRSL or ORP retirement plan. Regardless of the sum of the eight percent plus "normal cost" total retirement contribution to the employee's plan, the member institution makes a mandatory 15.5% contribution to TRSL, which can vary annually.

18. The same exact retiree retirement percentage of salary is submitted by the LSUAC to TRSL regardless of whether the employee's retirement plan is a TRSL or an ORP plan because TRSL is the designated mandatory manager of all retirement plans for higher education. The contributions of a TRSL member are managed by TRSL under a defined benefit plan. The contributions received by TRSL for an ORP member, less an approved 0.1% administrative fee, is sent to one of the three chosen ORP carriers designated by the employee for managing that employee's accrued retirement contributions under the provisions of a defined contribution plan. There are critical distinctions to be made about a defined benefit retirement plan, a defined contribution retirement plan and the implications of "normal costs" as it applies to each of those two plans.

19. TRSL is a defined benefit plan and the ORP is a defined contribution plan. Under the provisions of a defined benefit plan, a qualified retiree is guaranteed a minimum monthly benefit at retirement that is determined by formula. Qualification for entitlement to the benefit is earned if the retiree was employed for the specified period of time required for vesting. If the period of time required for vesting is not satisfied, the aggregate of the employee's 8% contributions are returned and the employee is not entitled to any future benefits. The variables in the formula determining the level of defined benefit are (1) the highest average thirty-six month period of compensation, (2) years of service, and (3) a percentage, ranging from 2% to 2.5%, depending upon years of service and age, as applicable. Under specified criteria, unused sick and annual leave can be converted into years of service credit which would increase the benefit. The benefit is guaranteed by the state of Louisiana for the life of the employee who can also provide an annuity for a beneficiary. Once established by formula, the defined benefit is not dependent upon future retirement contributions from the retiree, the former institution member employer or by the performance of TRSL's investments. The defined benefit is guaranteed by the state of Louisiana.

20. The benefits from an ORP plan, as a defined contribution plan, are based upon the sum of the accumulated retirement contributions submitted by TRSL to the ORP carrier and the earnings realized by the carrier from investments funded from the accumulated retirement contributions. The subsequent distribution of benefits to the retiree would be most likely established in contract provisions between the retiree and the ORP carrier. The guarantee of benefits under a defined contribution plan is subject to the financial strength of the carrier. The economic value of unused leave to the retirement benefit is zero. An employee's election to participate in an ORP is

irrevocable. The entire monthly retirement contribution becomes the property of the retiree from the date of enrollment.

21. The normal cost is actuarially determined annually and is the cost of funding TRSL retirement benefits accrued by active members in the current year. It is expressed as a percentage of an employee's salary and is based on mortality rates, disability rates, termination rates, salary increases, retirement rates, DROP participation rates and TRSL's actuarially assumed investment return. The dynamics surrounding these varied determinants render the normal costs an annual variable percentage. In turn, this makes the LSUAC's (member institution's) retirement contribution and the total contribution to the employee's retirement an annual variable. The normal cost for FY 2010 is 5.76% of employees' compensation for the period July 1, 2009 through June 30, 2010. That 5.76% is the LSUAC's contribution to both the TRSL and ORP retirement accounts of its employees. It is combined with the 8% contributions made by the employees of both plans to yield an equal 13.76% of compensation contribution to the TRSL and ORP retirement plans, respectively between July 1, 2009 and June 30, 2010. However, the ORP contribution is reduced by 0.1% and retained by TRSL for its administrative services.

22. When the Louisiana legislature established the ORP in 1992, the legislation specified that the costs to the state of Louisiana, as the employer, for TRSL and the ORP were to be the same and cost neutral. The TRSL was created in 1936. Prior to January 1, 1979, there was an LSU retirement system that included a social security component. On January 1, 1979, the LSU system was merged into TRSL by legislative decree. In that merger, the social security component was eliminated as part of the employee's retirement benefit for employees hired after that date. The elimination was allowed because the combined percentage contribution from the LSU employee (8%) and the employer LSU (7.5%) or 15.5% was greater than the required contributions by federal law of the employee (6.2%) and employer (6.2%) or 12.4% to the social security wage base.

23. Prior to the merger of the LSU Retirement System into TRSL, there existed an unfunded liability to TRSL created by the decisions of past and present legislatures and administrations to not have the state of Louisiana pay its full employer contributions to TRSL. This unfunded accrued liability (UAL) represents, in essence, a debt owed to TRSL by the state of Louisiana for benefits accrued by active members and benefits paid to retirees between 1936 and 1989 for which the state never fully funded its portion. TRSL was able to honor its obligations to its retired members because a major source (70%) of the revenue from which it pays benefits comes from investment earnings and not from the 8% contributions of the members.

24. Director Westgard reported that, by law, actuarial audits are performed annually in establishing the "normal cost". The "normal cost", in turn, establishes the member institution's employer contribution to the employee's retirement plan. An experience study is conducted every five (5) years to establish demographic schedules profiling the TRSL population. Audits are based on the demographics of TRSL members. The demographics include schedules of mortality rates, disability rates, termination rates, salary increases, retirement rates, DROP participation rates and TRSL's actuarially assumed investment returns. She indicated that every defined benefit plan of which she is aware has an experience study of which five years is the most typical.

25. Ms. Westgard offered observations in response to circulating published and unpublished assertions some of which may not be fully accurate. She indicated that there is no way that money is being diverted from ORP to pay off the TRSL unfunded liability. She also indicated that changes are not made to TRSL benefits on the basis of the state's budget or TRSL's investment losses. Any changes to TRSL are actuarially driven, but those changes don't negatively impact the benefit being received by the retired member because it is a defined benefits plan. Director Westgard addressed the charge that LSU's contributions to TRSL no longer satisfied federal requirements for the plan to meet or exceed current social security contribution requirements of 7.5%. She observed that the social security requirement of 7.5% could be satisfied by the combined contributions of both the employer and the employee. Director Westgard indicated that the percentage (%) of salary against which the social security percentage is levied is subject to political changes at the federal level. She provided a copy of the applicable social security regulations, and noted that the 8% employee contribution alone, minus the administrative fee, was sufficient to satisfy the social security requirement. Director Westgard then introduced TRSL's actuary, Mr. Charles Hall.

26. Mr. Charles Hall, the actuary for TRSL, observed that the Louisiana legislature designated the TRSL as the mandatory manager of retirement plans for all of Louisiana's institutions of higher education. The State of Louisiana, as the employer, is paying (1) the normal cost associated with TRSL, the defined benefit plan; and (2) the payment required to liquidate TRSL's unfunded accrued liability (UAL) by 2029 as required by the Louisiana legislature. The member institution's obligation for FY 2009-10 is 15.5% (normal costs of 5.76 % and UAL cost of 9.74%) of each TRSL and ORP employee's salary.

27. The normal cost is actuarially determined annually and is the cost of funding TRSL retirement benefits accrued by active members in the current year. It is expressed as a percentage of an employee's salary and is based on mortality rates, disability rates, termination rates, salary increases, retirement rates, DROP participation rates and TRSL's actuarially assumed investment return. The dynamics surrounding those variables gives rise to annual changes in the normal costs. The normal cost for FY 2010 is 5.76% of employees' compensation for the period July 1, 2009 through June 30, 2010. That 5.76% is the state of Louisiana's contribution to both the TRSL and ORP retirement accounts of its employees. It is added to the 8% contributions made by the employees of both TRSL and ORP plans to yield an equal 13.76% as the contribution to be made into both the TRSL and ORP retirement plans, respectively on behalf of employees between July 1, 2009 and June 30, 2010.

28. The administrative costs of TRSL are paid through investment earnings. As compensation for the transactions and information services provided by TRSL to ORP participants and their carriers, TRSL retains 0.1% of each ORP employee's 8% contribution. TRSL then forwards the remaining 7.9% of the employee's contribution and the 5.76 % employer normal cost contribution for a total contribution of 13.66% (7.90 + 5.76) to one of the three carriers designated by the ORP employee. These carriers are ING Financial Services, VALIC and TIAA-CREF. The chosen carrier manages the employee's retirement contributions and assumes responsibility for paying retirement benefits to that employee in accordance with the terms of their defined contribution (ORP) plan's contract provisions.

29. As the mandatory manager of retirement plans for all of Louisiana's institutions of learning, TRSL is charged with the collection of all employees' retirement contributions and all employer

institutions contributions for both TRSL and ORP participants. TRSL's collection and remittance to ORP carriers of ORP employees and member institution employers' contributions is the only connection between TRSL and ORP. At no point in time is the ORP employee affiliated with TRSL. Furthermore, there are no relationships between the set of TRSL investments and the set of ORP carrier investments.

30. As a defined benefit plan, the TRSL employee's benefit is guaranteed by the state of Louisiana Constitution. Thus, TRSL's investment gains and losses do not affect a retiree's benefit. As a defined contribution plan, the ORP employee's benefit is more variable because it is influenced by the aggregate sum of retirement contributions accrued into the ORP member's account, the gains and losses in that account due to the carrier's effectiveness in managing those retirement contributions and the plan's contract provisions. Gains and losses realized by the ORP carrier can, depending upon the contract, influence the retired member's benefits. As a consequence, the retirement benefits received by TRSL and ORP members bear no relationships to each other despite the fact that the state's "normal cost" retirement contributions to each are the same.

31. Mr. Hall explained that the state of Louisiana continues to hold LSU responsible for the funded and unfunded liabilities of the LSU retirement system that existed on January 1, 1979 when TRSL was forced to merge it (the LSU retirement system) into the TRSL. Those funded and unfunded liabilities of the LSU retirement system are part of the payment required to liquidate TRSL's unfunded liability by 2029. Unfunded liabilities can accrue to TRSL for such mandated events as awarding members TRSL credit for military service and/or TRSL investment losses. TRSL investments are assumed to generate an annual return of 8.25%. If its investment gains are greater than 8.25%, the state of Louisiana can apply those gains above 8.25% to the reduction of TRSL's UAL.

32. Mr. Hall explained that the normal cost component being paid by the state of Louisiana has been decreasing over time because of a political decision made by the Louisiana Secretary of the Treasury in 1992. That decision mandated an increase in the interest discount rate assumption from 7% to 8.25% which had the effect of decreasing the state's contribution to the "normal cost" component as the employer. Mr. Hall indicated that the increase in the rate was done in order to have the state's contributions address the realities of (1) retirement ages increasing due to people working longer thus increasing the magnitudes of benefits earned and (2) deaths rates decreasing because retired employees were living longer and thus drawing greater benefits in aggregate as a consequence of realizing larger benefits over a longer period of time.

33. Mr. Hall indicated that the state of Louisiana's debt to TRSL was restructured in 2008. A portion of the UAL associated with that restructuring comes from the Initial Unfunded Accrued Liability (IUAL) that was created when the state chose not to fully fund its share of the benefits paid to teachers between 1936 and 1989. The IUAL is probably one of the largest debts held by the state of Louisiana and it is owed to the TRSL.

34. Mr. Hall indicated that demographics and politics are the only two variables influencing normal costs. Politics have only come into play once when, in 1992, TRSL was forced by the state to increase its interest discount rate.

35. Mr. Hall indicated that the Louisiana constitution mandates that the state or its member institutions such as the LSUAC pay the “normal costs” of their employee’s retirement plan and the unfunded liabilities of TRSL. TRSL investment losses in 2009 add to the sum of unfunded liabilities. In general, as the age of the working population rises, the normal costs go up. When “normal costs” go up, this increases the total employer costs of employment.

36. Theoretically, the sums specified in the 2029 amortization schedule needed to liquidate TRSL’s UAL and the annual “normal cost” establish the level of the state’s contribution to the TRSL and ORP retirement programs. Annual variations in the normal cost percentages result because of the dynamics surrounding the variables characterizing the demographics of the TRSL membership. A shift towards an aging population will tend to increase normal costs. An increase in normal costs will cause the employer contribution to increase. The increase in the normal costs will increase the percentage of the funding contributed to both the TRSL and ORP plans. The initial annual calculation of normal costs is made by the TRSL actuary in accordance with a methodology established in a Louisiana state statute which only allows for an assumption of the interest discount rate. That calculation is subject to review and approval by the TRSL Board of Trustees. The final level of review and approval of the calculated normal cost is performed by the Public Retirement Systems’ Actuarial Committee (PRSAC). Thus, demographics and politics influence the normal costs component which, in turn, influence the level of the state’s annual contribution to an employee’s retirement account be it TRSL or ORP. It was observed that the politics enter through the interest discount rate and that it has only happened once in 1992 since the creation of TRSL in 1936. The common denominator is the dollar of employee salary. The sum of “normal cost” and the unfunded accrued liability are recognized as “Total Employer” contribution and is expressed and discussed as percentages of employee’s salary. They are derived, however, as the dollar fractions of employee’s salaries.

37. It was observed that ORP plan employees cannot collect on their sick leave by converting them into equivalent years of service credit as can TRSL employees.

Dr. John Russin, Associate Vice-Chancellor, LSU Agricultural Center

38. Dr. Russin began his report by noting that there are other land grant agricultural experiment stations facing financial difficulties and challenges even greater than those being faced by the LSUAC.

39. It might be well to establish a center for bio-fuels because centers can be more successful than individuals at attracting support. The Louisiana Institute for Biofuels and Bioprocessing will be a virtual center. The LSUAC will seek to have the Board of Regents (BOR) designate these centers. These kinds of centers would be budget neutral entities. They are being proposed to create greater opportunities for LSUAC faculty. Programs, if good, will be self-funded.

40. The Citrus Research Station has been reconstructed as the Coastal Research Station. The question regarding hurricane damage is a FEMA issue, not an LSUAC issue.

41. Dr. Russin expects formula funding to remain stable for the foreseeable future.

42. Dr. Russin identified livestock research as a major need within the Louisiana Agricultural Experiment Station. Under conditions of declining resources and legitimate requests from other

commodity groups with research needs, the questions are “what places in Louisiana are best for the LAES to concentrate its beef cattle research” and “what disciplines need to be supported” if the LAES is to best serve the beef producers of Louisiana?

43. There are no plans to close the dairy farms at the Southeast station and at LSU-BR even though the number of Louisiana dairy farmers continues to decline and now hovers around 165.

44. Many Colleges of Agriculture around the country, including ours, are revisiting their vision statements in view of enrollment trends in traditional agricultural arenas and of technologically driven changes that are impacting agricultural and rural affairs.

45. The National Institute of Agriculture has created a fourth section to include 4-H.

46. Dr. Russin reported that Dr. David Morrison’s work schedule is only three (3) days per week (Monday, Wednesday, Thursday).

NEW BUSINESS

47. Chairperson King reported that Faculty Council elections needed to be held for the following positions: one Assistant Off-Campus, one Assistant On-Campus, one Associates Off-Campus, one Associates On-Campus, On Full-Off Campus, and two Full On-Campus. Chairperson King has started the election process in which nominations will be open between September 28, 2009 and October 9, 2009. Voting, for two weeks, will begin on October 13, 2009. King will send reminders to eligible faculty. Ties will be broken by a rerun election on October 28, 2009. The objective is to have the replacement members identified in time to invite them to the November 2009 meeting. Chairperson King indicated that there May be a December 2009 meeting with no Annual Conference.

48. Chairperson King reported that the SharePoint website was now active. Information has been added regarding the Chancellor’s vision and an identification of council person’s terms of office.

49. No reports were rendered regarding the Board of Supervisors Meeting, the Association of Louisiana Faculty Senates (ALFS) or of any service unit advisory committees.

The meeting was adjourned on a voice vote at 12:50 pm.

Respectfully submitted,

Wayne M. Gauthier, Secretary