

LASERS

Louisiana State Employees'
Retirement System

Quarterly Membership Newsletter
Fall/Winter, 2007
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The LASERS Vision:

To improve the quality of life of
LASERS members and their families
by increasing their financial security

iBEAM

the LASERS Beam Interactive



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2007 LASERS Board of Trustees Election

LASERS members elected one new trustee and re-elected four incumbents in the 2007 LASERS Board of Trustees Election.

Charles Castille, Undersecretary of the Louisiana Department of Health and Hospitals won a seat as an active-member trustee with 20.09 percent of the vote. Active-member incumbent Sheryl M. Ranatza won re-election with 24.79 percent of the vote; and Trudy M. White, a Baton Rouge City Court Judge,

won a second term with 23.59 percent.

In the retired-member election, Connie Carlton, a former assistant director of LASERS and president of the Retired State Employees' Association, won a new term on the board with 33.36 percent of the vote; and Barbara McManus McCann, a retiree from the Office of Family Support, was re-elected with 25.57 percent.

The next LASERS Board election takes place in 2009.



Charles F. Castille



Sheryl M. Ranatza



Trudy M. White



Connie Carlton



Barbara McCann

Voters approve measure to restrict special retirement benefits

On October 20, 2007, Louisiana voters approved an amendment to the state constitution that restricts the ability of lawmakers to create new or enhanced retirement benefits without providing the funding for them. **Amendment 3** applies to the four state retirement systems for public employees: the Louisiana State Employees' Retirement System (LASERS); the Teachers' Retirement System of Louisiana (TRSL); the Louisiana State Police Retirement System (LSPRS); and

the Louisiana School Employees' Retirement System (LSERS).

Amendment 3 requires any legislation creating a new or enhanced retirement benefit to identify a new or additional funding source that is sufficient to pay for the benefit within ten years.

The LASERS Board of Trustees supported the legislation behind Amendment 3, **Act 484 of 2007**, by state Senator Walter Boasso.

The measure also received endorsements from newspaper edi-

torial boards throughout Louisiana, and from the Council for a Better Louisiana (CABL), which called it "an added degree of discipline to help ensure that the politically popular rush to increase employee benefits doesn't outrun our ability to pay for them."

LASERS Executive Director Cindy Rougeou calls Amendment 3 "an encouraging step in ensuring the long-term stability of the state's major public retirement systems."

Congress discusses elimination of Social Security offsets for public pension members

Louisiana Congressmen Richard Baker, Charles Boustany, and Rodney Alexander have joined with other members of Congress in urging elimination of the **Government Pension Offset (GPO)** and **Windfall Elimination Provision (WEP)**.

The GPO and WEP are provisions of federal law that reduce the Social Security benefits of recipients who also receive public pension benefits.

Under the GPO, if you receive a LASERS pension and your spouse received Social Security benefits you will usually receive a lower Social Security spouse's or widow's or widower's benefit. Typically, Social Security benefits are reduced by two-thirds of your LASERS pension.

The WEP acts to reduce your Social Security benefit if you have worked in both the public and pri-

vate sector and are eligible to receive a pension from each. Social Security benefits are based on a complex formula. That formula is modified for those who receive a LASERS benefit, reducing the Social Security benefit. But, if you were eligible to retire before 1986, LASERS can provide a letter verifying your earliest retirement date that you can provide to Social Security to impact the offset.

There are exceptions that may affect your benefits under both the GPO and WEP. You should contact the Social Security Administration about your particular situation.

It has been estimated by the **National Association of Retired Federal Employees** that 60,000 Americans are penalized by the WEP each year. Bills are currently pending in both houses of Congress to repeal the GPO and WEP.

Direct Deposit Transfers

LASERS benefit payments through Electronic Funds Transfer (EFT), also known as Direct Deposit, always take place by the last day of the month. However, depending on the business calendar of your financial institution, your deposits might not always show up in your account by the first day of the month.

If the first day of the month falls on a weekend or on a holiday, it is possible that your benefit payment will not be available in your account until the next business day, which could be the second, third, or even fourth day of the month.

LASERS has no control over the business calendar of your bank or credit union. If you have questions about their schedules, please contact your financial institution directly.

prep schedule
1st quarter of 2008

january 23 • baton rouge

february 12 • lake charles

february 13 • lafayette

february 19 • monroe

february 20 • shreveport

february 28 • baton rouge

register at lasersonline.org

THE BOARD MEMO

KATHY SINGLETON, 2007 BOARD CHAIR

If you are an active or retired member of LASERS, you can give your children or grandchildren a big boost in paying for college. In fact, it's not too soon to START right now!

Louisiana's Student Tuition and Revenue Trust (START) Program is a Qualified Tuition Plan under Section 529 of the Internal Revenue Code. It is designed to help families anticipate the cost of post-secondary education.

As a member of LASERS, you can begin a START account in one of two ways. If you are an active member, you can have START deductions withdrawn from your paycheck in the amount that you choose. Visit your employing agency's Human Resources offices for more information.

And as a retiree, you can now contribute to a START account with deductions from your pension benefit check.

Setting up the deduction is easy. If you have an existing START account and would like for LASERS to deduct and remit your deposits, complete the *Payroll Deduction Authorization* form available at the website of the Louisiana Office of Student Financial Assistance (LOSFA), www.startsaving.la.gov. Upon receipt of your completed authorization form, LOSFA will forward the information to LASERS, and we will set up your deductions.

If you have DROP funds that you would like to roll over to a Deferred Compensation account, you can do so without incurring federal or state income tax liability.

According to Louisiana Revised Statute 11:405, "Any annuity, retirement allowance or benefit, or refund of contributions, or any optional benefit or any other benefit paid to any person... is exempt from any state or municipal tax..."

However, funds distributed from a Deferred Compensation account are subject to federal and state income taxes.



The 2007 LASERS Annual Report is available now at www.lasersonline.org.

You can read or download the *Comprehensive Annual Financial Report* for detailed financial information about your retirement system's performance in the most recent fiscal year; or you can read the *Summary Annual Financial Report*, which provides the information in an easy-to-understand digest format.

In order to view the reports, you will need Adobe Acrobat Reader, which you can get for free on the *Publications and Reports* page of the LASERS website.



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FROM THE DESK OF CINDY ROUGEOU LASERS EXECUTIVE DIRECTOR

The time has come to secure the long-term financial stability of the LASERS trust fund.

The trust fund, which is the source of all benefits paid to LASERS members and their beneficiaries, is operating with a shortfall. This is not news. In fact, LASERS was born with a built-in deficit.

When the Louisiana legislature created your retirement system in 1946, it allowed LASERS to begin paying pension benefits to retirees who had never made employee contributions. This was the beginning of the Unfunded Accrued Liability (UAL), the difference between the current and projected benefits that LASERS owes to its members, and the amount of money available to pay those benefits. The UAL grew larger over the decades as lawmakers added retirement benefits for special groups, but did not always provide adequate funding for them.

In the late 1980s, a constitutional amendment passed establishing a 40-year payment schedule to eliminate the *initial* unfunded accrued liability (IUAL), which was the

amount of the debt up to that time. However, legislative payments on the debt have failed to cover the interest, which accrues at 8.25 percent per year. This means the debt has continued to grow. It is the same as with a mortgage. If you never pay the minimum balance that you owe on your home, it will actually get more expensive to do so as time goes on. This is the problem we face with the LASERS unfunded accrued liability.

As of June 30, 2007, the IUAL had grown to \$2.9 billion from \$1.8 billion in 1989, when the legislature established the 40-year payment schedule.

LASERS has succeeded in chipping away at the unfunded liability with record investment returns for the past several years, but the only long-term solution is a commitment from the legislature to pay down the debt. The benefits of aggressive debt reduction cannot be exaggerated.

For every one dollar that the legislature pays toward the IUAL, the state would save nearly five dollars in interest by 2029.

During the upcoming sessions of the Louisiana Legislature, the LASERS team will work with lawmakers to explain the importance of the funding needed to secure the hard-earned benefits of LASERS members.

