

The LASERS Vision

Confidence in our service,
assuring financial security
for your future

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OUTCOME OF THE 2016 LEGISLATIVE SESSION

In the 2016 Regular Legislative Session, more than 40 pieces of retirement legislation were introduced that would have impacted LASERS if passed. The LASERS Board of Trustees took positions on the majority of the legislation and worked with staff and legislators to provide information as to the impact on the System.

Two bills, supported by the Board, passed pertaining to COLAs:

- **Act 93 (SB 2)**, one of a package of bills sponsored by Sen. Barrow Peacock, authorizes a Cost of Living Adjustment (COLA) of up to 1.5 percent (based on the amount of funds available in the Experience Account) for LASERS retirees and beneficiaries.
- **Act 513 (HB 32)**, sponsored by Rep. Sam Jones, is essentially the same bill.

Despite the passage of both measures, only one COLA of 1.5 percent will be granted since the payment is based on the availability of funds in the Experience Account.

The Board also supported two pieces of reform legislation, sponsored by Sen. Peacock. Both bills had to pass before Act 93, the COLA bill, could be implemented:

- **Act 94 (SB 5)** includes non-investment related administrative expenses in calculating the required employer contribution rate.
- **Act 95 (SB 18)** clarifies provisions created in Act 399 of 2014; reduces the amortization period for actuarial gains and losses from 30 years to 20 years once the System is 70 percent funded (rather than 85 percent funded); and provides for the re-amortization of schedules of gains and losses for the 2019-2020 fiscal year and every fifth fiscal year thereafter.

Act 639 (HBs 603 and 696), sponsored by Rep. Walt Leger, were also supported by the LASERS Board, insofar as they would reduce debt. Both bills involve the establishment of the Revenue Stabilization Trust Fund which may provide annual appropriations to pay the initial UALs of LASERS and TRSL with funds allocated proportionally. Passage of a constitutional amendment on November 8, 2016 is necessary for this Fund to be created.

The LASERS Board took neutral positions on five bills that passed:

- **Act 621 (HB 14)**, sponsored by Rep. Kevin Pearson, replaces the Chairman of the House Retirement Committee with a member of the House Retirement Committee appointed by the Speaker of the House of Representatives, on each state and statewide retirement system board.
- **Act 410 (HB 78)**, also sponsored by Rep. Pearson, requires the executive director of each of the state and statewide retirement systems to file annual personal financial disclosure statements.
- **Act 460 (HB 1093)**, sponsored by Rep. Barry Ivey, requires the Legislative Auditor to prepare, at least every five years, comparative summaries of each system's actuarial assumptions and funded ratio and the auditor's findings as to the appropriateness of each system's assumptions.
- **Act 160 (SB 14)**, sponsored by Sen. Dan Morrish, adds employees of the Chenier Plain Coastal Restoration and Protection Authority to LASERS.
- **Act 161 (SB 15)**, sponsored by Sen. Fred Mills, adds employees of the Iberia Parish Levee, Hurricane and Conservation District to LASERS.

Each of the retirement bills opposed by the board failed to pass. For complete information on the bills that failed and other bills of interest that passed, visit the LASERS website.

The Board MEMO

Judge William Kleinpeter
2016 Board Chair



We take our role as fiduciaries on the LASERS Board of Trustees quite seriously. Thousands of beneficiaries depend upon our prudent oversight of the System's \$11 billion retirement fund. With that kind of responsibility, it is only natural that active and retired members have expressed curiosity about what we do as a Board. My recent experience with the due diligence process is a great topic to share with our readers in this issue of The Beam.

Exactly what is due diligence? According to Merriam-Webster, due diligence is "the care that a prudent person might be expected to exercise in the examination and evaluation of risks." As it relates to LASERS, due diligence is the process of investigation when we are contemplating the selection of a money manager. The advantages and risks are evaluated for each candidate in this multi-step process.

The LASERS Board and Investments staff work closely with NEPC, our pension consulting firm, in the due diligence process. This intensive effort begins with the identification of candidates, followed by quantitative screening, and qualitative assessment. Those firms and products that are appropriate for LASERS plan are compiled. Once compiled, the LASERS Board further reviews the firms and selects a smaller group for further review - onsite due diligence - meaning an actual visit to the firms' offices.

I recently participated in onsite visits with a LASERS Investments staff member and NEPC consultant. We visited four managers which involved:

- A discussion of the philosophy and management of the firm with the executive staff;
- An in-depth conversation with portfolio managers on implementation strategies; and
- A study of the firm's legal, accounting, compliance, risk management, investor relations, support staff, and other operational components.

Experiencing this part of due diligence led to the realization that Trustees can study and analyze page after page of materials on the investment firm, but there is no substitution for visiting the managers face-to-face. As a Board, we are entrusted along with the LASERS Investments staff, with allocating millions of dollars to these money managers. Seeing how they operate firsthand is crucial in the decision-making process.

Once again, I served as Chair of the LASERS Board of Trustees Legislative Committee during the regular session. This was a challenging session, but the Board worked closely with the LASERS staff and legislators to protect the System from some potentially harmful measures. We are confident in the sustainability of LASERS and that LASERS Benefits Louisiana.

Inside the LASERS Fiscal Division

Directed by Chief Financial Officer Artie Fillastre, LASERS Fiscal Division is divided into three sections: financial reporting, administrative accounting, and benefit accounting.

Financial Reporting prepares the Comprehensive Annual Financial Report (CAFR) and the Popular Annual Financial Report (PAFR) at the end of each fiscal year and submits numerous monthly and quarterly reports to the Board. In addition, this section is responsible for budget reporting, procurement, cash receipts, collections, and internal payroll.

The Administrative Accounting section is responsible for investment accounting and accounts payable. Investment Accounting handles reconciliation, while the Accounts Payable section ensures that expenditures are recorded in the correct year and that LASERS has paid its bills.



Benefit Accounting is responsible for monthly and interim retiree payrolls and the receipt of contributions from agencies.

"We strive for excellence whether it is paying our retirees their monthly benefit or preparing the financial statements for our year-end audit. This is achieved through a staff that is committed to teamwork and always looking for ways to improve processes without sacrificing quality," Artie Fillastre said.



From the Desk of **Cindy Rougeou**

LASERS Executive Director

In June, the Public Retirement Systems' Actuarial Committee (PRSAC) considered a proposal by LASERS to reduce our discount rate from 7.75 percent to 7.50 percent in small increments over five years. The discount rate is generally thought of as the long-term expected rate of return on System assets. It represents the investment return needed to fund regular plan benefits.

LASERS Board of Trustees is mindful of the need to have the System properly funded by adopting a reasonable discount rate. A rate that is too high can result in future increases to the Unfunded Accrued Liability (UAL; the debt owed by the state to the System). A rate that is too low will cause current taxpayers to pay more than they should.

It is also important to keep in mind that lowering the discount rate comes with a cost. Since 2012, the rate has been reduced twice from 8.25 percent to the current rate of 7.75 percent. Those two reductions resulted in an increase of \$722 million to the UAL.

The LASERS Board of Trustees supports an incremental reduction in the discount rate going forward. Consulting Actuary John Garrett with the Cavanaugh Macdonald firm was selected by LASERS to conduct an independent review of the development of the discount rate. He presented a report to PRSAC, recognizing the trend of decreasing discount rates by major plans throughout the country and recommending that LASERS do the same. Mr. Garrett's findings also revealed that LASERS financial position has improved faster than other retirement systems in the country.

PRSAC members voted to express to the Board that it recommended a move to incrementally reduce the rate, starting with a change from 7.75 percent to 7.70 percent in fiscal year 2017/2018 and incrementally reduce the discount rate to 7.50 percent by fiscal year 2021/2022. This important issue will be the subject of further discussion and action by the LASERS Board.

LASERS Accomplishments

While preparing LASERS yearly list of accomplishments for the Board of Trustees, I considered each division's contributions to our success as an agency. After completing my review, there were 12 pages of accomplishments; evidence of our strategic plan at work!

I have chosen a few from the list to share with you which have significant impact to our LASERS members:

Protection of our Member Data and Uninterrupted Benefit Payments

- Our annual Disaster Recovery test was completed at an offsite facility, remotely restoring LASERS systems to ensure uninterrupted benefit payments during emergency situations.
- Database security was assessed by an independent external security firm, which detected no major flaws.

Improved Customer Service and Educational Outreach

- A new office phone system was implemented to replace our aging system which gives LASERS more functionality, better Disaster Recovery options, and reduces overall cost.
- The Retirement Education Department launched a successful program to conduct on-site counseling at correctional facilities serving our hazardous duty members who have a more difficult time travelling to Baton Rouge for face-to-face counseling. Additional sessions are being scheduled at this time.
- *LASERS: Your Retirement System* was designed by our staff as a LEO training class to give members an overview of the System. An internally produced video, *Annual and Sick Leave: How It Affects You*, explains how unused annual and sick leave can become an additional benefit at retirement.
- The MINT campaign, *Millennials Investing Now for Tomorrow*, was initiated to encourage LASERS members between the ages of 20 – 35 to start planning early for retirement.

I am so proud of each member of the LASERS team and our commitment to be the best. At the end of the day, we can say **LASERS Benefits Louisiana.**

Meet the Retirement Chairs



Plan Your Retirement

Representative J. Kevin Pearson, Chair of the House Retirement Committee

Rep. Kevin Pearson, a Slidell Republican representing District 76, was elected to the House of Representatives in 2007. He is now in his seventh year as Chair of the House Retirement Committee. With 30 years of experience as a financial advisor, the Retirement Committee is a perfect fit for his interests. "I was asked what committee I would like to be on and very few people choose retirement," said Pearson. "It would be easy to do something else, but I like this area."

During this legislative session, Pearson has supported the COLA bill for retirees. "The number one goal I have is to make sure the benefits are sustainable for the rest of their lives." He also supported Sen. Peacock's bills, **SBs 5 and 18**. "The administrative expenses and the re-amortization changes will gradually get the systems where they need to be over time. We're not kicking the can down the road," said Pearson.

In discussing misconceptions about the sustainability of LASERS in the legislature and in the public, Pearson shared, "The perception is that we are not quite where we need to be because it will be challenging to get the rates of return we need over time. Payoff by 2029 was a great idea, except for those who back-end loaded it, and didn't pay interest all those years. We really can't afford any more debt. The key is that by 2029, the [initial] unfunded accrued liability (IUAL) will be paid off without any additional debt being created," he said.

Pearson commented that reform legislation passed over the years has improved the funding of the systems, but admits he becomes frustrated when he hears, "Our system is in great shape, leave us alone." "We wouldn't be working on reforms if they weren't needed," he said. "The legislature is there to make sure they get the promised benefits." Pearson added, "LASERS does an outstanding job of managing money. I can't say everything will be fine, but we are working toward that. It has to be talked about." He elaborated, "I don't have a problem being beaten up

because retirement benefits are a crucial element."

The current mechanism in place for granting COLAs, coupled with the eligibility requirements that employees must be retired at least one year on the date the COLA is granted and be at least age 60, are results of reforms over the past decade. Pearson says, "At 55, you have probably 30 or more years of life and you might be lucky if you get two COLAs per decade."

Pearson is a proponent of offering different retirement options to state employees. In his second year as a representative, he passed a self-funded COLA bill that he says very few choose, but at least the option is available.

Pearson does not agree with the Windfall Elimination Provision (WEP), a federal law that reduces Social Security benefits for those who also draw a state pension. He commented, "I would have fixed that if I could have."

Pearson strongly encourages state employees to plan for retirement. "We created a wonderful benefit for someone who does considerable planning," he said, "but I would encourage employees to wait a little longer to retire. Don't retire at 55 because you can. Spend more time planning your retirement than your vacation. Plan to live until 90, and if you live until 70, you don't have anything to worry about."

He stressed that deferred compensation is important for employees to take advantage of as a supplement to the regular defined benefit plan. Pearson also suggested that employees meet with LASERS well in advance of retirement to discuss all options. DROP and other plans may not be the best choice because each situation is different.

Perhaps Rep. Pearson's most encouraging remarks came when he was asked about how state retirees can be reassured regarding their benefits. He said, "Our State Constitution says benefits may not be diminished or impaired. I can't ever envision that being changed."

LASERS: Get the Numbers • The Lowdown on the 2016 COLA

- Percentage of increase for eligible retirees and beneficiaries: **1.5%**
- Goes into effect: **July 1, 2016**
- Number to receive COLA: **approximately 40,500**
- Benefit increase paid only on **first \$60,000** of retiree, survivor, or beneficiary's annual benefit
- Age to qualify: **at least 60** except for disability retirees who have no age limitation
- Must be retired: **at least one year** on June 30, 2016
- Approximate Value of COLA Benefit: **\$123 million**
- Approximate Balance in Experience Account on June 30, 2015: **\$123 million**

Investment performance summaries are updated monthly. Find out how we are doing on our website.

- ▶ View our investments actual asset allocation and target allocation by clicking the **Investments tab**, then **Asset Allocation**.
- ▶ View our investments performance by clicking on the **Investments tab**, then **Performance**.

Meet the Retirement Chairs



Working Together

[Senator Barrow Peacock, Chair of the Senate Retirement Committee](#)

Sen. Barrow Peacock is currently serving his second term in the Senate, representing District 37 from northwest Louisiana. He is a lifelong Republican and businessman with a B.A. and Master degrees in Business Administration. Peacock, who is the new chair of the Senate Retirement Committee, just completed his first regular legislative session in that leadership role. He served on the Retirement Committee a four-year term before taking over as chair.

In sharing his experiences, Peacock said, "I requested four years ago to be on the Retirement Committee and I do enjoy it. Part of that is working with the retirement systems and all parties involved. I have learned that retirement has consequences. If we do something here, something may happen there."

During the 2016 Regular Legislative Session, Peacock sponsored a package of retirement bills, **SBs 2, 5, and 18**, he considered important for the state, the systems, and the members. **SB 2 (Act 93)** passed unanimously and authorizes a Cost of Living Adjustment (COLA) of up to 1.5 percent for eligible retirees and beneficiaries. The passage of **SBs 5 (Act 94)** and **18 (Act 95)** means administrative expenses will, in the future, be funded directly through the employer contribution; the amortization period for gains and losses will, when the systems are 70 percent funded, be reduced from 30 to 20 years.

Another bill of importance to Peacock was **SB 16**. His sponsorship of this bill, along with support from 35 co-authors, was for the benefit of the Sheriffs Pension and Relief Fund. "**SB 16** was significant because it was about disability, death benefits, and survivors of members killed in the line of duty by an intentional violent act," said Peacock. "We were all working together to pass this bill."

Peacock believes there are some misconceptions about the financial condition of LASERS in the legislature and public. "The state is currently doing the right thing," he said. "We

listen to the actuaries and that is very important. We make sure sound practices are followed and we are not monkeying with the systems."

Peacock suggested sharing with LASERS members a one-page summary that Actuary Shelley Johnson prepares each year for the legislature. He said, "This summary demonstrates the soundness of the System and has an explanation of what those numbers mean. It's a great tool to educate everyone and is like the sticker price on a car window. It gives an independent, true picture of the health of the System, and you can see a year-to-year comparison." View the summary on the LASERS website under Publications & Videos, Actuarial Reports, listed as Valuation Summary Sheet.

With several proposed COLA bills under consideration in the recent session, Peacock received many inquiries from retirees. "It's important to present the facts and not mislead them," he said. "We can't always provide COLAs and I can't promise something that we can't pay for." Peacock added, "The marks on the investment returns have to be hit for COLAs to be given. Act 399, which requires the systems to be better funded, may allow for larger COLAs to be given in the future. As the funding percentages become healthier, there will be COLAs. We have to look at the long-term health of the systems."

Reform legislation continues to improve the funding of the retirement systems. Peacock commented, "We are taking the reforms one step at a time and the funding percentage is moving in the right direction. If funded correctly over time, it works. The state retirement system is better than Social Security and the systems are paying off the old debt," he said.

As to the future, Peacock stressed, "We need to keep the course going forward. We are a product of our overall economy. America is doing well; globally we are doing well. We are all in the boat together. Actuarial science is evolving, so we have to look at the trends and adjust. I relate the retirement systems to tankers, not speed boats," he said. "We are in it for the long haul."

RSEA GOLDEN JUBILEE: *Celebrating 50 Years!*

RSEA 8TH ANNUAL CONFERENCE

October 3-5, 2016



General session and workshop presentations are in the planning stages.

Visit www.rseala.org for future agenda information.

Downtown Holiday Inn • 701 Fourth Street, Alexandria, LA 71301

Lodging Rates (+ taxes/fees):

- Hotel: \$97.00 (single or double occupancy)

Reservations Call:

- 800-HOLIDAY (465.4329) or HOTEL DIRECT 318.541.8333
- Ask for RSEA 2016 Convention Group Code: RSE

Registration Fees (includes most meals):

- RSEA Member and/or RSEA Guest (1): \$50 each
- Non-Member: \$70 (includes RSEA Membership)

ATTENTION LASERS MEMBERS

JUST FOR RETIREE MEMBERS

October Benefit Payments

October benefit payments are scheduled to be paid on the first of the month. Since October 1 falls on a Saturday, receipt of your funds can be affected by whether you receive a check or direct deposit and your financial institution's rules when the first falls on a weekend or holiday.

Direct Deposits are guaranteed to be in your bank or credit union on the first day of the month. When the first falls on a Saturday, Sunday, or holiday, funds may not be available until the following business day.

Paper checks are mailed for delivery on the first of each month.

Did you know the Louisiana Department of Insurance Senior Health Insurance Information Program (SHIIP) has helped **more than 42,000 Medicare beneficiaries** in the past year?



CONTACT SHIIP TO HELP YOU UNDERSTAND YOUR OPTIONS.

Visit: ldi.la.gov/shiip Call: 1.800.259.5300 or check out their online map to find help near you.



Hint...Hint...Direct Deposit Can Help in Hurricane Season!

Hurricane season began June 1. Please sign up for direct deposit if you have not done so! Simple instructions are on the LASERS website. Direct deposit can give you peace of mind and help LASERS guarantee that your funds arrive on time.

For additional tips on hurricane preparedness, visit www.getagameplan.org.

JUST FOR ACTIVE MEMBERS



The 411 on the 529 Plan

THE 411 ON THE 529 PLAN
Learn how to save for your child's college tuition and expenses through the Louisiana START Saving Plan.

WHAT IS A 529 PLAN?
It is an education savings plan operated by a state designed to help families set aside funds for future college costs. It is named after Section 529 of the Internal Revenue Code.
Louisiana's 529 Plan is referred to as the START Saving Plan.

\$174,000 The estimated cost a parent will pay for their child's undergraduate degree and college expenses at a Louisiana public university by the year 2029.	\$464,000 The estimated cost a parent will pay for their child's undergraduate degree at a private, out-of-state university by the year 2029.
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HOW MUCH WILL IT COST WHEN MY CHILD REACHES COLLEGE AGE?

A new MINT topic is now live on our website! *The 411 on the 529 Plan* infographic explains how to save for your child's future college tuition and expenses through the Louisiana START Saving Plan.

See the full infographic and other educational topics on our website at www.lasersonline.org/mint.



New Educational Video Released

In this new video, LASERS provides the tools to help you determine which retirement plan you are enrolled in and information on retirement eligibility.

Two Viewing Options:

Watch on the LEO Portal

View on YouTube

Are YOU Prepared for Retirement?

Attend a PREP Seminar to learn more.

Whether you are a new LASERS member or approaching retirement, a Pre-Retirement Education Program (PREP) Seminar can provide you with essential information and tools to help you plan for one of the most important days of your life. Register for a PREP seminar online, www.lasersonline.org, under *Seminars*.

2016 PREP Schedule

Seminars are held from 8:00 a.m. to 3:30 p.m.

DATES	LOCATION
August 2 November 2	Alexandria LSU-Alexandria Brumfield Caffey Annex Ballroom 8100 Highway 71 South
August 3 December 7	Shreveport LSU-Shreveport, University Center 2nd Floor, Caddo & Bossier Rooms One University Place
August 30 September 27 October 20 November 17 December 14	Baton Rouge Louisiana State Police Training Academy Building A, Classroom 1 7901 Independence Boulevard
September 7	Hammond Southeastern Louisiana University University Center, Entrance 1, Room 139 800 W. University Avenue
September 20 December 1	New Orleans University of New Orleans University Center Atchafalaya Room, #208 2000 Lakeshore Drive
October 5	Lafayette University of Louisiana at Lafayette Abdalla Hall 635 Cajun Dome Boulevard
October 11	Lake Charles McNeese State University Holbrook Student Union La Jeunesse Room 375 Beauregard Drive
October 18	Thibodaux Nicholls State University Student Union, Le Bijou Theatre 906 East 1st Street
December 6	Monroe Louisiana Delta Community College Conference Center 7500 Millhaven Road



Employee of the 1st Quarter, 2016
Mark Diaz

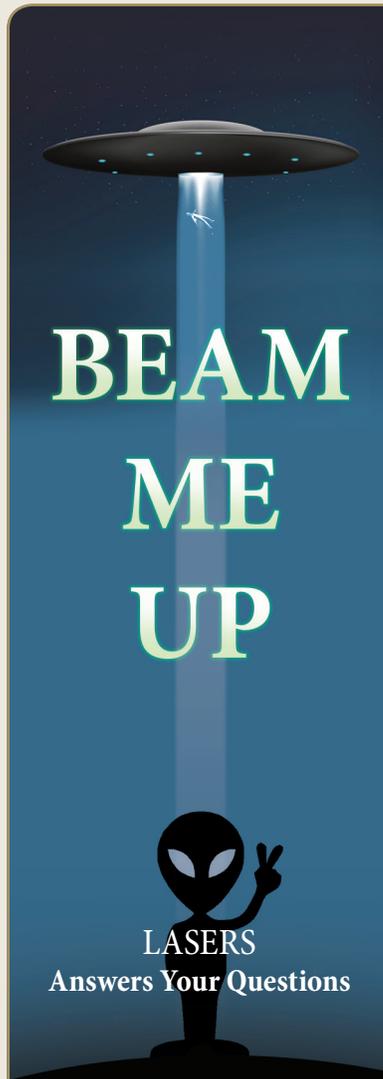
Mark Diaz has been a part of the Public Information Division (PID) just over a year, but his contributions during this short period of time are remarkable. Mark was immediately assigned several projects that had been on the back burner for a number of years and he literally hit the ground running. His first challenge was to create a visual representation that would demonstrate the cost effectiveness of LASERS, how the System stimulates the economy, and money-saving reforms. This difficult task was achieved with success and has now been emulated by other retirement systems. The LASERS infographic was a helpful tool during the 2015 legislative session.

“Mark handles high-profile projects with confidence and efficiency.”

Mark’s second project was to bring the *LASERS: Your Retirement System* training class to life by using the Articulate software program for the LEO website. The training class has been praised by Civil Service and has become part of an initiative to educate members in 2016.

Mark handles high-profile projects with confidence and efficiency. He possesses an uncanny ability to listen to vague suggestions or follow a loose framework to create exciting visual products.

Mark deserves recognition as Employee of the Quarter for his ground-breaking innovations, never-quit attitude, commitment to each project, and positive approach. He is a pleasure to work with and is an essential part of the PID team.



Question: Where or how do I sign in to my account on the LASERS website?

Answer: On the home page of the LASERS website, www.lasersonline.org, a *Quick Links* column is on the right side of the page. Click on the first link, *Access Member Self-Service*, and this will take you to the login page. Follow the instructions to access your secure account. If you do not have a User ID and Password, please register to receive this information. LASERS is currently designing a new website with many user-friendly features; one of which is easier login access to your account. Stay tuned for more information.

Question: What is the name and number of the bill to quit reducing Social Security because we receive a LASERS retirement?

Answer: H.R. 711, known as the “Public Servant Fairness Formula,” was introduced in Congress by Representatives Kevin Brady (R-TX), Chair of the Ways and Means Committee which has oversight over Social Security, and Richard Neal (D-MA). The bill would permanently repeal the current Windfall Elimination Provision (WEP) and replace it with what the authors describe as a fair formula that treats public servants like all other American workers. It would also provide relief to current retirees already affected by the WEP and guarantee that public servants receive the benefits they earned while they paid into Social Security. The Social Security Administration Board recommends implementation of such a proportional formula.

A hearing was held in March on the Brady-Neal proposal, but action has not yet been taken. The bipartisan bill is continuing to gain support, with the co-sponsor total nearing 100. A vote is expected before the end of 2016. If the bill were to pass, implementation would start in 2017.

Many of those impacted by WEP/GPO are contacting Rep. Brady and Rep. Neal to express support for the bill. For more information about H.R. 711, visit www.waysandmeans.house.gov/hr711/.

The Louisiana State Employees' Retirement System (LASERS) distributed this document digitally. No publication costs were incurred.

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As a subscriber, you will receive *The Beam* directly in your email inbox and no longer receive a paper copy.

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