

# LASERS

Louisiana State Employees'  
Retirement System

Quarterly Membership Newsletter

Summer, 2010

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## The LASERS Vision:

*Confidence in our service, assuring  
financial security for your future*



# iBEAM

*the LASERS Beam Interactive*

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## 2010 Legislative Session

As legislators convened the Regular Legislative Session on March 29, 2010, there was a lot at stake for the Louisiana State Employees' Retirement System. House Speaker Jim Tucker offered the two most sweeping proposals. HB 930 would have shifted all new LASERS employees as of January 1, 2011, into a 401(k) styled defined contribution plan, instead of the current defined benefit plan offered state employees since LASERS inception in 1947. The LASERS Board of Trustees strongly opposed the measure, believing that it eliminated retirement security for future state workers. The bill was voluntarily deferred by the Speaker when it came before the House Retirement Committee.

HB 1229 by the Speaker also presented a considerable challenge. It would have consolidated the investment decisions for the four state retirement systems, including LASERS. The LASERS Board also opposed this piece of legislation. The system oversees its own investments and has highly credentialed staff to internally manage over 25% of our portfolio. Our twenty-five year compounded actuarial return of 8.41% exceeds the expected return of 8.25%. The proposal was voluntarily withdrawn by the Speaker before its first scheduled hearing in the House Retirement Committee.

A measure which would have allowed retirement with an actuarially reduced benefit for a member having at least 10 years of service at age 50 and abolishing the position (HB 189) was vetoed by the Governor.

The session concluded with the final approval of several bills that will make notable changes affecting LASERS. They include HB 1337 (Act 992) by Lafayette Representative Joel Robideaux, which makes changes to benefits for employees hired on or after January 1, 2011. For LASERS, it will result in three plans for new hires: hazardous duty, judges, and rank and file.

*(continued on page 2)*

# Acts of the 2010 Regular Session Affecting LASERS

## LASERS Sponsored

### **HB 517 (Robideaux), Act 94**

Clarifies that a 9.5% employee contribution rate applies for the Sergeant-at-Arms of House and Senate, the Clerk of the House, and Secretary of the Senate.

### **HB 518 (Robideaux), Act 95**

Clarifies the definition of "accumulated contributions" to include all amounts paid by a member excluding interest paid on the repayment of a refund.

### **HB 746 (Robideaux), Act 99**

Clarifies the method of calculation of 20 year actuarially reduced retirement for members who are in state service.

### **HB 1142 (Robideaux), Act 102**

Makes changes requested by the Board to conform with Internal Revenue Code requirements.

## Affecting LASERS

### **HB 96 (Richard), Act 89**

Creates the "State Employee Retired" license plate.

### **HB 229 (Pearson), Act 1048**

Requires a 2/3 vote of the Legislature to enact any changes to public retirement provisions having an actuarial cost. Constitutional amendment to be presented to the voters on the November 2, 2010, ballot.

### **HB 748 (Pearson), Act 1026**

Requires calculation of normal cost of retirement benefits to be segregated by subgroups of members and changes in liability to be attributed to each subgroup so that employer contributions are individualized.

### **HB 1337 (Robideaux), Act 992**

Changes the benefit structure for LASERS members hired after January 1, 2011. It will result in three plans: rank and file, hazardous duty, and judges. Rank and file will include members who currently have specialty plans, other than judges. Rank and file members will have:

- 5 years at age 60 retirement eligibility
- 20 years at any age retirement eligibility, with a reduced benefit
- 60 month final average compensation
- 8% employee contribution rate

Employees in hazardous duty positions will receive a 3.33% accrual rate and pay a 9.5% contribution rate. Existing employees will have the option to transition to the new plan. Judges will receive a 3.5% accrual rate and pay an 11.5% contribution rate.

### **HB 1460 (LaBruzzo), Act 951**

Allows benefits payable to children who are beneficiaries of deceased retirees to be paid into a trust.

### **SB 13 (Gautreaux), Act 634**

Allows garnishment of Louisiana public retirement pension benefits of an elected official or other public employee to pay fines or restitution imposed for a felony associated with his position.

### **SB 134 (Gautreaux), Act 874**

Makes changes to the meeting schedule and support for the Public Retirement Systems' Actuarial Committee (PRSAC), and requires reports to the Joint Legislative Committee on the Budget.

### **SB 594 (Gautreaux), Act 1004**

Amends the "prudent man" standard to require various considerations before investments are made, and mandates quarterly reports to be electronically submitted to the legislative retirement committees.

### **SB 704 (Shaw), Act 1010**

Provides relative to military service credit and compliance with USERRA.

### **SR 11 (Guillory)**

Amends Senate rules to require that retirement bills must be prefiled by 45 days prior to the start of a regular session.

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### *(2010 Legislative Session, continued from page 1)*

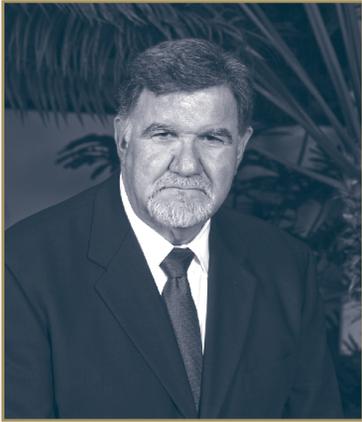
It incorporates provisions of the LASERS sponsored HB 453 for hazardous duty workers. It also implements a 60 month final average compensation and 5 years at age 60 retirement eligibility for those not in hazardous duty.

SB 13 (Act 634) by Senate Retirement Committee Chairman Butch Gautreaux will allow garnishment of Louisiana public retirement benefits for any public servant to pay fines or restitution imposed for a felony associated with his office.

And finally, legislators offered state retirees a chance to get their own license plate celebrating their status. HB 96 (Act 89) by Representative Dee Richard goes into effect August 15, 2010. A minimum of 1,000 applicants for the new plate are required before they are officially issued.

# THE BOARD MEMO

Charles Castille, 2010 Board Chair



There were some good solid reasons why legislative proposals to shift new state employees into a defined contribution (DC) plan from the current defined benefits (DB) plan (HB 930), and to consolidate the investments management of the four largest retirement systems in the state (HB 1229) couldn't gain the momentum to reach the floor of the House or Senate this legislative session.

The author of both initiatives, House Speaker Jim Tucker, found it particularly difficult to persuade lawmakers to support HB 930 after urging them to support the measure as a result of findings by Buck Consultants, a firm that studied the bill. Of that review, staff actuary Paul Richmond testified before the House Committee on Retirement, that the change to a DC plan would make employees responsible "for the investment of their retirement funds" so that in the end, "we may see people running out of money before they run out of life." That was one of the reasons the LASERS Board of Trustees voted to strongly oppose the change.

The other bill, HB 1229, to merge the investments of the four state systems under one commission never received a hearing, and was instead turned into HCSR 8, which calls for the issue to be reviewed over the next year. The LASERS Board also opposed HB 1229.

Both of these bills were proposed as efforts to control the cost of the retirement systems, an outcome the Board strongly believes would not have been realized if they had been enacted. Another measure, HB 229, by House Retirement Committee Chairman Kevin Pearson, would control costs. It provides that any benefit provision for members of certain Louisiana public retirement system that have an actuarial cost will not be approved except by a two thirds vote of both the House and Senate. This measure was supported by the Board, and it was passed by the legislature. This proposal, a constitutional amendment, will be on the November 2 ballot for voter approval this fall. This important change would protect the fiscal integrity of our retirement system.

The Board also supported what it considered to be a compromise measure (HB 1337) by Representative Robideaux which was enacted. It creates a uniform plan for hazardous duty workers as well as new eligibility and final average compensation calculations for rank and file members hired on or after January 1, 2011.

While the Board was successful during the past legislative session in protecting our retirement system, there will no doubt be future attempts to enact legislation similar to those bills which were not enacted this past session. You can be assured the Board will continue to be vigilant in looking after the interests of our system and its members.

## *Employee of the Quarter: Hollie Cowell*

Although audits can be intimidating, Hollie Cowell makes the experience as enjoyable as possible. Hollie is always available to answer questions and go the extra mile. The role of an auditor can be challenging, but she approaches each task with a positive attitude. Her mindset with each audit is to ultimately improve LASERS, and this is demonstrated by her ability to develop solutions to problems that arise.

Hollie recently acquired the Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), and Certified Public Accountant (CPA) designations.

She is truly a pleasure to work with and is a tremendous asset to the LASERS team.



## From the Desk of Cindy Rougeou

### LASERS Executive Director



There is no doubt about it; the 2010 Legislative Session was one of the most challenging LASERS has ever faced. Perhaps the most complex task was the effort to educate a broad spectrum of lawmakers about the importance of preserving the defined benefit (DB) plan for state employees,

especially in light of the fact that state workers do not participate in Social Security. Legislation which would have shifted all new hires as of January 1, 2011, into a 401(k) styled defined contribution (DC) plan was set aside for this session. However, with continued fiscal challenges for the state budget, we can expect this issue to remain on the table.

States that have carefully investigated the matter have concluded that closing down their defined benefit plans is the wrong direction for public policy. While it might seem to some that phasing out a DB plan would

create savings, the research actually shows that the move can be costly for government employers, and therefore the taxpayers. Lack of retirement security would likely create greater costs in the form of public assistance for retirees who outlive their benefit payments.

Our Board of Trustees recognized the importance of the DB plan for state government. Unlike private industry, which exists to make a profit for shareholders, government works to provide essential services, safe streets, clean drinking water, and good schools, to the public. Studies show that DB plans effectively establish attachments between employers and employees that best serve the goal of providing essential public services. It is also worth noting that the tenure of public sector employees has actually increased over the past 30 years, while the tenure of private sector employees has decreased.

Under the direction of our Board of Trustees, LASERS is dedicated to preserving our defined benefit plan to provide a secure retirement for those men and women who have dedicated a career to public service.

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