



Crossroads

A publication of the Louisiana School Employees' Retirement System Vol.19 No.1 SPRING 2006

Board Appoints New Director

The Louisiana School Employees' Retirement System (LSERS) board of trustees has appointed Charles P. Bujol as the new director effective November 1, 2005. Bujol comes to LSERS with both administrative and retirement system investment experience. He had recently retired from the Iberville Parish School Board, where he had been the superintendent of schools for 14 years, the assistant superintendent for three years, and the supervisor of transportation and child welfare and attendance for ten years.



Charles Bujol is appointed as new LSERS director beginning in November, 2005.



Pat Cosper retires as LSERS director after serving for 16 years.

He has also served as a trustee for Louisiana Teachers' Retirement System for the last seven years. Bujol received a master's degree from LSU in Administration and Supervision in 1974. Mr. Bujol is a Louisiana native and is from Iberville Parish.

Patrick Cosper, who served as the LSERS director for 16 years, retired on October 31, 2005.

2005 Special Legislative Session Bills Impacting LSERS

The legislature met in special session in the Fall of 2005 to handle emergency matters that arose as a result of the two hurricanes. The one bill that passed that directly affects our system was signed by the governor as Act 45 on December 6, 2005. This act provides that a member who has been on "leave without pay," or has been furloughed as a result of a gubernatorial-declared natural disaster, may purchase this time. This service purchased applies to the period beginning August 29, 2005, and ending June 30, 2006, or the members' termination date, whichever occurs first. The member must pay both the employee and employer contributions. The contributions due each month must be paid to the retirement system by the 15th of the following month. Should the employee be delinquent in remitting such contributions, interest will be accrued.

If the member does not elect to pay the contributions monthly, a lump sum payment will be accepted provided it is received by the retirement system on or before December 31, 2006, or within 30 days after the member returns to work, whichever comes first.

The Act specifies that the time that can be purchased is based on the salary

during the last full pay period ending on or before August 29, 2005. This time cannot be used towards the minimum time required for disability retirement.

The Act also exempts any routine personnel actions or separations from qualifying for the time that can be purchased. As always, any action involving retirement accounts may have tax consequences which are not anticipated. Each member is urged to seek tax advice prior to taking any actions. Form 5-IF in the forms section of our web site should be used when applying to purchase in-service leave due to Katrina and Rita.

No COLAs in 2006

LSERS has not met the criteria to allow COLAs for our retirees, again. You may recall the two things required to allow COLAs are the investment return must be higher than 7.5% for three years and the funded target ratio of 98.2% must be met. In fiscal year 2004-05 LSERS did meet the investment return requirement for its first year in several years with a return of 7.51%. But LSERS is funded at 75% rather than its high of 120%. This is primarily due to the market drop prior to and after 9/11.

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Board Trustee Elections Rescheduled to This Spring

The LSERS Board of Trustees Active Member District 4 seat and Retiree seat have been rescheduled for this Spring. Both elections were postponed due to Hurricanes Katrina and Rita. Ballots will be mailed on May 8, 2006 to members of the election jurisdictions along with postage-paid, self-addressed envelopes for return of the ballots. Be watching your mail for the election materials including information on the candidates. The deadline for returning the ballots is June 5, 2006. Official counting of the ballots will be held before and during the 2006 June 12 Investments Meeting of the Board of Trustees.

These are four-year terms, but the term length has been reduced due to the delay in the elections. Terms begin with a swearing in of the winning candidates at the June 12, 2006 board meeting and end December 31, 2009. The Active Member District 4 seat is currently held by Sylvia Myers, who has just retired. The Retiree seat is held by Jeffrey Faulk. Both terms ended December 31, 2005, but incumbents continued to fill the seats due to the emergency situation our state was under from the hurricanes.

Retiree Election

Jeffrey Faulk and Betty Jacobs, both current LSERS board members, have qualified for the Retiree Board Seat. Faulk has served as a LSERS Board Trustee for eight years and Vice Chairman Pro Tem for four years. He

is from Vermilion Parish and was a bus driver for 26 years. Jacobs, who recently retired, has served as LSERS Board Trustee for District 2 for 26 years. She has served as Chairperson of the Board Investment Committee since its inception in 1991. Jacobs is from East Baton Rouge Parish.

District 4 Election

Ronald Babineaux and Kathy Landry are candidates in the District 4 election.

Babineaux is from Iberia Parish and has been a bus driver and member of the LA School Bus Operators Assn. (LSBOA) for 24 years. He has served as president of the Iberia Parish Bus Drivers Assn. for 14 years.

Landry is from Calcasieu Parish and is a bus driver. She has been president of the Calcasieu Parish School Bus Drivers Assn. for the past eight years.

The District 4 election includes the following parishes: Acadia, Allen, Avoyelles, Beauregard, Calcasieu, Cameron, Evangeline, Grant, Iberia, Jefferson Davis, Natchitoches, Pointe Coupee, Rapides, Sabine, St. Landry, St. Mary, Vermilion, and Vernon.

If you are a resident of District 4 or if you are a retiree, watch your mailboxes for the ballots and be sure to vote! **Your vote counts!** ~

District 2 and Retiree Trustee Elections This Fall

An election for the LSERS Board of Trustees Active Member District 2 seat and one of the Retiree seats will be held this Fall. These are four-year terms, which begin January 1, 2007 and end December 31, 2010. The Active Member District 2 seat is currently held by Betty Jacobs. The Retiree seat is the one held by Betty Crain. Both terms end December 31, 2006.

To qualify for the Active Member District 2 seat you must reside in the Second Retirement District,

which consists of the following parishes: Ascension, East Baton Rouge, East Feliciana, Iberville, Lafayette, Livingston, St. Helena, St. Martin, St. Tammany, Tangipahoa, Washington, West Feliciana, and West Baton Rouge.

To qualify for the Retiree seat you must live anywhere in Louisiana.

To qualify for either seat you must also:

1. Submit a written request by mail or fax for an official Nominating Petition to Mr. Charles Bujol, Director, P.O. Box 44516, Baton Rouge, LA 70804, or fax it to 225-922-0350.
2. Obtain the signature, Social Security number, and address of at least ten active members residing in District 2 for the District 2 seat or of at least ten retired members for the retiree seat. Signatures must be from members of the Louisiana School Employees' Retirement System. This information must be submitted on an official Nominating Petition and be verified by this office before you officially qualify.

3. Submit a completed, **notarized** Nominating Petition to this office no later than 4:30 p.m., June 1, 2006. For hand

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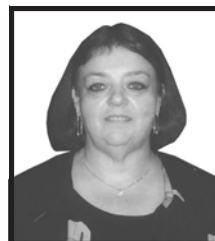
Jeffrey Faulk, retiree candidate



Betty Jacobs, retiree candidate



Ronald Babineaux, D-4 candidate



Kathy Landry, D-4 candidate

2006 Proposed LSERS Legislation Sought

The regular session for the 2006 Louisiana Legislature begins on March 27th at noon, and continues until June 19th. Due to the devastation which occurred last year, it is another year with a "tight budget."

The board is proposing three bills this year for the legislature's consideration:

1. Experience Account - This bill will establish an "experience account" within the LSERS fund. Excess interest earnings can be "banked" in that account and once sufficient funds are "banked," then the board can propose a COLA for the legislature to approve.

2. Miscellaneous Provisions - This bill will reduce the "penalty" for a retired member who earns more than

50% of his average compensation. After reaching the 50% level, the benefit will be reduced by the amount earned rather than a complete forfeiture of benefits for the year. It will also allow "full-time" employment.

3. Unfunded Accrued Liability - This bill would require an employer that privatizes positions to pay that portion of unfunded accrued liability (UAL) that is attributable to the members who lose their job. Now, if the school board withdraws a group of employees, then the UAL which is owed is paid by the remaining members.

The board is working with the Legislature on a bill on **Disability Retirement** - The proposed law requires that members have ten years

of credible service to qualify for a disability retirement rather than five years. The accrual rate will increase from 2.5% to 3% per year worked. The benefit will continue as a disability benefit rather than convert to a regular retirement at age 60, which is required under the present law.

The board anticipates another active legislative session which may affect our system, and its members. It is VERY IMPORTANT for your legislators to know how you feel about pending legislation. Your voice does make a difference.

House of Representatives:

Telephone: (225) 342-6945

Web: <http://house.legis.state.la.us>

Senate: Telephone: (225) 342-2040

Web: <http://senate.legis.state.la.us> ~

Board Members Lobby Congressional Delegation

Board members Betty Crain and Judith McKee were in Washington, D.C. to lobby the Louisiana delegations on issues affecting LA School Employees' Retirement System (LSERS). They met with Senator Vitter, Representative Melancon, Representative Alexander, and Senator Landrieu. The rest of the delegation was unable to meet in person, but designated a member of their staff to discuss the issues.

The issues before Congress remain the same: (1) Mandatory Social Security participation, (2) Government Pension Offset (GPO), and (3) Windfall Elimination Provisions (WEP). These issues are tied to Social Security Reform. The consensus of our delegation and of the staff is that Social Security Reform, although needed, will not be tackled this year. The delegation agrees that bringing state employees into the Social Security System will not solve the problem.

As to the two offset provisions, Representative McKeon of California has authorized H.R. 147 which would repeal both the GPO and WEP. This bill has 307 co-sponsors, including Representative Alexander, Representative Boustany, Representative Baker, Representative Jefferson, and Representative Melancon. Representative Jindal's staff indicated that he would rather address these issues along with all of the Social Security problems. Representative McCrery's staff said that since he is the Vice-Chair of Ways and Means Committee he could not be a co-sponsor, as it would convey the appearance of partiality. To date this bill has not been scheduled for a hearing before the Ways and Means Committee even though the vast majority of the House supports the bill.

It is believed that Representative McCrery will be the next chairman of

the Ways and Means Committee in which HR 147 is now pending, and perhaps it will then be heard.

The MOST EFFECTIVE LOBBYING is by the members' voters. It is important your Representatives and Senators hear from you on the issues. The following is their contact information:

Senator Landrieu - (202) 224-5824

Senator Vitter - (202) 224-4623

Representative Jindal - (202) 225-3015

Representative Jefferson - (202) 225-6636

Representative Melancon - (202) 225-4031

Representative McCrery - (202) 225-2777

Representative Alexander - (202) 225-8490

Representative Baker - (202) 225-3901

Representative Boustany - (202) 225-2031 ~

LSERS Financial Review Complete for FY 2004 - 2005

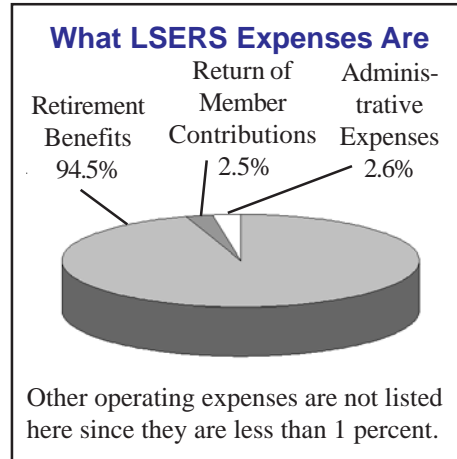
As of June 30, 2005, LSERS has assets totaling \$1.49 billion and is 75.3% funded. LSERS had a total investment return of 8.35% for FY 2004-05. LSERS has over 26,000 active and retired members. The average monthly retirement benefit paid by LSERS in 2005 was \$835.70.

Sources of Revenue

LSERS' operating revenue is composed of employer and member contributions and investment income. During the fiscal year ending 6/30/05, member contributions were \$18,946,671. Employer contributions were \$37,753,893. Investments experienced a gain of \$115,092,079. In 2005 LSERS experienced an operating gain of \$55,613,525.

Types of Expenditures

LSERS' expenses for the year ending June 30, 2005 were \$116,179,118 and consisted of the following:



Retirement benefits paid: \$109,842,001
 Refunds of member contributions: \$2,979,098
 Expenses to operate system: \$3,358,019

The majority of the system's expenses are for the payment of pension benefits.

Investment Portfolio

LSERS' portfolio market value in 2005 totaled over \$1.49 billion, up from \$1.44 billion in 2004.

The portfolio includes a diversified mixture as follows: \$586,752,454 bonds, \$721,815,680 domestic stocks, \$106,079,750 foreign stocks, \$75,608,717 short-term investments and \$2,368,916 real estate held for investment.

What's New With Your Pension Fund's Investments?

The trustees of your retirement system are concerned about the prediction of lower returns in the fixed income (bond) market. Fixed income investments, that pay periodic interest, have historically been the main stay for pension plans. Since interest rates have been lowered by the Federal Reserve, bond rates have also fallen. Now that the Federal Reserve has begun to raise rates, the amount that you receive when you sell an existing bond may be less than the amount that you paid for it.

After studying the effects that changes could have on the returns of your pension plan, the trustees took action in February 2006 as follows:

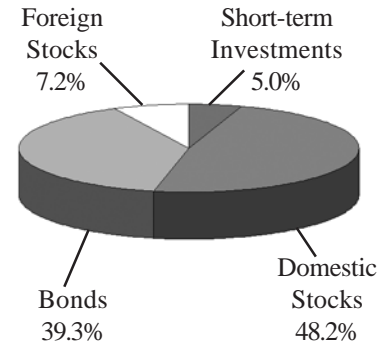
- Approved a new target asset allocation as shown below:

Asset Category	New Target
Domestic Equity	50%
International Equity	10%
Fixed Income	30%
Real Estate	6%
Private Equity	4%

- Authorized the director to sign a contract with Prudential for the system's second \$45 million real estate fund investment. This investment will be funded when space becomes available in the queue.
- Authorized Segal to conduct a search to select two Private Equity Fund of Funds with beginning allocations of about \$30 million each.
- Authorized staff to conduct a search to select an additional International Equity Manager. This search is scheduled to begin in the middle of May 2006.
- Selected four Domestic Large Cap Value Investment Management firms to be interviewed on March 13, 2006.

The goal of these changes is to improve the overall investment returns over time so that your retirement system can become better funded, reduce employer contributions rates and once again meet the legal requirements to grant retirees a cost-of-living raise.

LSERS Investment Portfolio at June 30, 2005



Note: Real estate held for investment is not shown in the graph since it represents less than 2 percent.

Funding Status and Yield

LSERS' funding status as of June 30, 2005 was at the 75.30% level. The decrease in funding status was due to interest on unfunded liability in the amount of \$33 million, experience loss of \$5 million, and insufficient employer contributions of \$8 million. The system's current unfunded accrued liability increased from a prior year deficit of \$439.8 million to the current deficit of \$466.2 million.

2006 Legislative Issues of Interest for LSERS Members

During the 2005 Regular Session several bills were filed which affected the system and our members. It is likely that many bills will be filed in 2006 to change our retirement system, and the manner in which it is governed.

Sen. Boasso introduced SB7 last year, which, had it passed, would have made sweeping changes in LASERS and TRSL. These include:

- 1) Increased Employee Contribution to 8.25% from 7.5%. **Effect:** Employee pays more.
- 2) Extended Average Compensation time to 60 months from 36 months. **Effect:** Retirement benefit lower.
- 3) Retirement requires 10 years of service AND age 60. **Effect:** Eliminates retirement at any age with 30 years and retirement at age 55 with 25 years of service.
- 4) Eliminated DROP.
- 5) The two systems and the funds of the retirement systems would be governed by one board. The membership of the board would be selected as follows:

State Treasurer

Commissioner of Administration

Four members of the Legislature

6 members appointed by the Legislature

4 employees who are members of the system

Effect: 10 out of 17 members of the board would be legislative appointees.

(continued on page 6)

LA Senators' Contact Information

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 Senator Sharon Weston Broome; **Baton Rouge**, LA 70892; (225) 359-9352; lasen15@legis.state.la.us
 Senator James David Cain; **Dry Creek**, LA 70637; (337) 328-7266; cainj@legis.state.la.us
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 Senator Donald R. "Don" Cravins; **Lafayette**, LA 70501; (337) 234-9695; websen@legis.state.la.us
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2006 Legislative Issues of Interest for LSERS Members

(continued from page 5)

House Bill 311 by Rep. Schneider which was passed and became Act 75 makes some of the changes proposed in SB 7, but only for new LASERS employees. This bill excludes elected officials and public safety employees.

For employees hired on or after July 1, 2006:

- 1) Employee contribution is increased to 8%.
- 2) Extends average compensation calculation to 60 months from 36 months.
- 3) Requires ten years of service AND age 60 before benefits can be paid.
- 4) Reduces the accrual rate for disability retirees.

During the 2005 legislative sessions members were limited to 5 bills not dealing with fiscal matters. For the 2006 Regular Session, there is no limit on the number of bills filed. Last year most bills filed affected only the other systems. But there is strong evidence that the measures proposed in 2005 will be re-urged this year and will probably be extended to include LSERS.

Since the budget will be tight, especially in light of the recent hurricanes, the legislators will be searching for ways to cut the budget. One way is to reduce the benefits paid to employees.

It is very important for you, as members of this system, to contact your legislators and let them know how you feel about these proposals. ~

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(continued from page 5)

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Electronic Direct Deposit of Retirement Benefits Is Best Choice

Electronic direct deposit (EDD) of retirement funds is the best choice for retirees receiving a monthly retirement benefit. With EDD your retirement benefits are wired into your checking or savings account on the first of each month (or the first working day if the first of the month is on a weekend or holiday).

We have recently seen two more reasons why EDD is the best choice for receiving your retirement benefit each month. Those living in the Hurricanes Katrina and Rita-impacted areas received their funds on time, which was critical for making disaster related decisions. They did not experience a slowdown in their own emergency activities caused by making arrangements to obtain their

paper checks in an alternate means due to Post Office delays.

Also, those receiving their retirement benefits by EDD did not experience delays caused by a recent rush with the Post Office in delivering the W-2 and 1099 forms required to be delivered by the end of January. This overburdening of the Post Office caused the mail system to slow down and many retirees' February checks were delayed.

Simplify your life, now, and switch to EDD. You can contact our office at (225) 925-6484 or outside of the Baton Rouge area at 1-800-256-3718 or fill out Form 8 on our web site, www.lasers.state.la.us, and mail or fax it back to us.

2006-07 Employer Contribution Rate, 2005 DROP, and IBRP Interest Rates Approved

The Public Retirement Systems' Actuarial Committee has approved LSERS' employer contribution rate for the 2006-2007 fiscal year as 19.6%. This is a rate increase from the 18.4% now paid in the 2005-2006 fiscal year. The employee contribution rate will remain the same at 7.5%.

This Committee also approved the interest LSERS will pay on DROP and IBRP accounts for the fiscal year ending June 30, 2005. This amount is 7.01%, which is for members who were eligible to retire before January 1, 2004. Members who become eligible to retire on or after January 1, 2004, receive interest based on money market rates of return. This interest has been posted to the members' accounts.

Join DROP Within a Sixty-day Window of Eligibility

LSERS must receive an official DROP Application within 60 days of the date the member obtained eligibility in order for the member to participate in DROP for the maximum participation period of 36 months. After the 60-day period, the maximum

allowed participation period is reduced on a day-for-day basis, from the 61st day until the effective date of DROP participation.

If you are interested in joining DROP, be sure to meet this time requirement.

All Current Information Is Found at LSERS' Web Site at www.lasers.state.la.us



Mailing and Direct Deposit Dates for Monthly Benefit Checks

Retiree, DROP, & IBRP		DROP-LA, & IBRP-LA	
Mail	Deposit	Mail	Deposit
Mar 31	Apr 03	Apr 04	Apr 05
Apr 28	May 01	May 04	May 05
May 31	Jun 01	Jun 02	Jun 05
Jun 30	Jul 03	Jul 04	Jul 05
Jul 31	Aug 01	Aug 04	Aug 07

LSERS Member Change of Address

Be sure to notify LSERS if your address has changed recently. Please complete this change of address card and mail it to LSERS, P.O. Box 44516, Baton Rouge, LA 70804. Please print except for your signature.

Name _____ Home phone: _____

Address _____

City/State/Zip _____

Membership status: (check one) Active _____ Retired _____

Signature _____ Soc. Sec. # _____
(required)

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LSERS Public Information Director and
Newsletter Editor

Tidbits

- LSERS' Board of Trustees voted to hire Charles Bujol as the new director on October 18, 2005 as follows: Crain - yes, Faulk - yes, Jacobs - abstain, McKee - yes, Richard - abstain, Pierce for Kennedy - yes, Sondergaard for Gautreaux - yes, Sharpe for Ater - yes, Wilmer - no.
- You can find a retirement benefit calculator and other employment information on the LSERS web site at www.lasers.state.la.us.
- LSERS continues to update all members' addresses based on new addresses provided to us by the U.S. Post Office with each newsletter mail out. Please report address changes to us.
- Remember the Office of Group Benefits holds its annual open enrollment during April. Their phone number is 1-800-272-8451. Be sure to attend their local meeting for details on insurance choices for FY 2006-2007.

Elections This Fall

(continued from page 2)

delivery, the physical address is 8660 United Plaza Blvd., 1st Floor, Baton Rouge.

A notice of official qualification will be mailed to you upon verification of your Nominating Petition.

If more than one person qualifies for either of these trustee seats, ballots will be mailed on October 16, 2006 to members of the election jurisdictions. The deadline for returning the ballots is November 13, 2006. Official counting of the ballots will be held during the November 20, 2006 regular board meeting.

For more information on this election, contact Judy Wright at 1-800-256-3718.

Calculate estimated retirement benefits on the web site, now, at www.lasers.state.la.us!



Crossroads

This public document was published at a total cost of \$3,715.00. Twenty-six thousand two-hundred copies of this document were published in this first printing at a cost of \$3,715.00. The total cost of all printings of this document, including reprints, is \$3,715.00. This document was published by the Louisiana School Employees Retirement System, P.O. Box 44516 - Capitol Station, Baton Rouge, Louisiana, 70804-4516, to provide members of LSERS with information concerning changes and policies of the system. This information is not a substitute for, nor provides any rights or benefits, except as contained in the LSA Revised Statutes governing LSERS. This newsletter was printed in accordance with R.S. 43:31B.

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