



# Crossroads

A publication of the Louisiana School Employees' Retirement System Vol.13 No.2 SUMMER 2002

## Market Jitters/Corporate Critters

If you are a person who watches the investment markets (stocks & bonds), recent events probably have given you a good case of the jitters. Major corporations have been accused of manipulating their profits, thus driving stock prices up. Examples of this are Enron or WorldCom, companies you have heard about on the national news. In addition, these activities have negatively affected all U.S. investment returns. The President and Congress have promised stiff penalties and reforms that will help protect your investments in the future.

LSERS investment returns have felt some of the pain from these deceptions. Your system hires professional investment managers, who pick stocks and bonds of companies based on information provided by professional researchers, who obtain their information about those companies, in part, from data provided by the companies. If the parent company provides inaccurate data to the researchers, then the investment managers may make decisions based on bad information.

While LSERS is not pleased with either the market in general or the resulting levels of investment returns, you can be assured that the LSERS Board of Trustees and staff take their fiduciary responsibility very seriously.

Our process includes comparing quarterly investment performance data for LSERS with other large public pension plans throughout the U.S. For the quarter ending March 31, 2002, LSERS' returns ranked in the top 9% of those retirement plans.

As a retiree or future retiree of LSERS, you need to be aware of several issues. Most important, your "base benefit" is guaranteed by the State Constitution. It is our understanding that this "base benefit" includes cost-of-living adjustments (COLAs) granted in previous years. No person can take that away from you.

By law, COLAs can only be granted when LSERS is able to attain what is referred to as the "actuarial target ratio." The "actuarial target ratio" is determined each year by calculating the "system's excess rate of return." This formula uses three-year averages of certain numbers such as the investment rate of return. The system can only grant a COLA from excess interest earnings. Excess interest earnings is the investment income earned (continued on page 2)

## District 2 and Retiree Trustee Elections to be Held this Fall

Two LSERS Board of Trustees elections will be held this Fall. One election will be for a trustee to represent the Active Member District 2 and the other will be for a trustee to represent the retirees statewide. These are both four-year terms, which begin January 1, 2003 and end December 31, 2006. The Active Member District 2 seat is currently held by Ms. Betty Jacobs. The Retiree District seat is currently held by Ms. Betty Crain. Both of those terms end December 31, 2002.

Two candidates have qualified for the Active Member District 2 election. They are Betty Jacobs, the incumbent, and George Lentz. Jacobs is from Baton Rouge and Lentz is from Slidell.

Three candidates have qualified for the Retiree election. They are Betty Crain, the incumbent; Jean Hendrix, and Boyd F. Zeke Zitzmann. Crain is from Bogalusa, Hendrix is from West Monroe, and Zitzmann is from St. Bernard.

(continued on page 3)



### Inside this Issue:

Retirement Investments Safeguarded	page 2
Begin Planning for Your Retirement	page 2
Contribution Rates for 2002 - 2003	page 3
Changing Jobs	page 3
Electronic Deposit	page 4

## Retirement Investments Safeguarded

The Spring issue of *Crossroads* included an article on DROP and IBRP Investor Risk. The intent of the article was to forewarn LSERS members that the retirement system had no safeguard in place that would prevent its initial or principal investments from absorbing a negative return at any point in time. Interest rates paid on the DROP and IBRP accounts fluctuate from year to year. Interest rates are based on profits (or losses) from each year's investment. Lately, this has been a concern to all of us, since the U.S. economy has been a bit unstable.

Since the last issue of *Crossroads* the Louisiana Attorney General's Office has provided an opinion on this matter for two of the four state retirement systems. The opinion is based on the Louisiana Constitution, Article X, Section 29(E). According to the attorney general and LSERS general counsel, LSERS is correct to apply this opinion to your retirement system as well.

The pertinent section states, "The accrued benefits of members of any state or statewide public retirement system shall not be diminished or impaired." Further explanation by the Attorney General's Office says, "Thus the systems are prohibited from taking action which would cause the accrued benefits of the members of the system to be diminished. We are of the opinion that debiting the account because the realized return is insufficient to offset the maintenance fee or because the realized return is a negative percentage would diminish the accrued benefits of members of the systems."

With this recent opinion the Louisiana School Employees' Retirement System will not consider posting a negative return to members' DROP or IBRP accounts. Returns posted to your DROP and IBRP accounts will only be positive or neutral (zero), but not negative. This provides the needed safeguard, year by year, over possible loss of investments of the retirement system.

(continued from page 1)

## Market Jitters

per year that exceeds 7 ½%.

In the future, COLAs may not be granted every year. During periods of time when investment rates of return are negative or too low, there is the possibility that the LSERS Board of Trustees would be unable to grant a COLA because of the laws that govern their ability to grant COLAs.

Markets have been very good for the last ten years and COLAs have been granted. However, U.S. markets were down for most of last year and the first half of this year. After the receipt of the actuarial data, which is due to be presented at the November meeting, the Board will be able to determine if they can grant a COLA for next year (January 1, 2003).

Your retirement plan's performance is important to us. We look forward to the day when the financial markets fully recover from recent events. Historically, every down cycle has been followed by an up cycle.

## Begin Planning for Your Retirement

Now is the time to begin thinking about your retirement, especially if your retirement date is three years away or less. Here are some of the things to be considered:

### Three Years to Go:

- Understand your pension options. What are the economic, tax, and estate planning results of each retirement plan available to you.
- Request an estimate of your monthly retirement benefit under the plans you are considering.
- Create a preliminary retirement budget. This will guide your decision-

making process.

### One Year to Go:

- Review your life insurance looking at what you'll need and can afford.
- Check home and auto insurance. Are you adequately protected?
- Choose your retirement plan with LSERS. Once you have signed a final affidavit stating your chosen plan of retirement, the plan selected may not be changed.
- If you are considering a lump sum, consult your financial institution about rolling it over to an IRA; otherwise the lump sum goes to you and we are

required to withhold 20% for federal income taxes.

- Apply for Social Security (SS) benefits and request information about Medicare enrollment. Three months before you want benefits to start, call SS at 1-800-772-1213, from 7 a.m. to 7 p.m. or stop by a Social Security office for forms.

The Planning for Retirement Program has been updated and is being offered to LSERS employing agencies. If you have not seen a presentation recently and are within three years of retirement, ask your employing agency to schedule a seminar with LSERS.

# Contribution Rates for FY 2002 - 2003

(continued from page 1)

The Public Retirement Systems' Actuarial Committee has recommended that the employer contribution rate for the Louisiana School Employees' Retirement System be set at 7.0% of payroll for FY July 1, 2002 - June 30, 2003. The employee contribution rate remains at 7.5% of payroll for the fiscal year July 1, 2002 through June 30, 2003.

Under the provisions of LA R.S. 11:102(B)(2)(b)(ii), employer contributions may be funded in whole or part from the Employer Credit Account. There are sufficient funds in the Employer Credit Account that will be used to pay the 2002 - 2003 employer contributions.

Therefore, employers shall NOT remit employer contributions to LSERS for the 2002 - 2003 fiscal year. Employers must remit member contributions for the 2002 - 2003 fiscal year at the continued rate of 7.5%. This is effective July 1, 2002. LSERS notified LSERS employing agencies of this new rate in May.'

# District 2 and Retiree Trustee Elections to be Held this Fall

Separate ballots containing the names of all qualified candidates will be mailed on September 3, 2002 to all active members residing in the Second Retirement District as well as to all retired members. Postage-paid, self-addressed envelopes for return of the ballots will be included in this mailing. The deadline for returning the ballots is November 1, 2002. Official counting of the ballots for both elections will be held before the opening of the November 25, 2002 regular board meeting.

You will be voting in the District 2 election if you are an active LSERS member. This includes having the

status of active, DROP active, or DROP returned to work. You must also live in one 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.

You will be voting in the Retiree election if you are retired from LSERS. This includes having the status of DROP retired, disability retired, IBRP retired, or regular service retired

If you have any questions regarding these elections, contact Judy Wright at 1-800-256-3718 for more information.'

# Are You Changing Jobs This Year?

If you leave your current job, and take a job covered by either the Teachers' Retirement System or the State Employees' Retirement System, you have the option of remaining in LSERS, if you have at least five years of credit in LSERS. If you decide to

remain in LSERS, you must notify your new employer of your intent to remain in LSERS. You must also notify us in writing of your intent to remain in LSERS within 30 days of starting the new job. Once this decision is made, it may not be changed, ever.'

## 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.

Name \_\_\_\_\_

Address \_\_\_\_\_

City/State/Zip \_\_\_\_\_

Membership status: (check one) Active \_\_\_\_\_ Retired \_\_\_\_\_

Signature \_\_\_\_\_ Soc. Sec. # \_\_\_\_\_  
(required)



## Mailing and Deposit Dates for Monthly Benefit Checks

Checks for:	Will be Mailed on:	Or Deposited on:
Sept.	Aug. 30	Sept. 3
Oct.	Sept. 30	Oct. 1
Nov.	Oct. 31	Nov. 1
Dec.	Nov. 29	Dec. 2

**LSERS  
BOARD OF TRUSTEES**

**Joe Seymour, Chairman**

3rd Retirement District, 318-728-2729

**Betty Jacobs, Vice Chairman Pro-Tem**

2nd Retirement District, 225-925-5667

**Boyd Zeke Zitzmann**

1st Retirement District, 504-682-3512

**Sylvia Myers**

4th Retirement District, 337-478-7162

**Betty Crain**

Retiree Representative, 985-735-5359

**Jeffrey Faulk**

Retiree Representative, 337-893-3315

**Ex Officio Members:**

**Larry Wilmer, Vice Chairman**

President, La. School Bus Operators

Association, 318-964-2869

**W. Fox McKeithen**

Secretary of State, 225-342-4479

**John Kennedy**

State Treasurer, 225-342-0010

**Lambert Boissiere, Jr.**

Chairman, Senate Retirement

Committee, 225-342-2062

**Pete Schneider**

Chairman, House Retirement

Committee, 225-342-2445

**Patrick Cospo**

LSERS Director

**Debra Dudley**

LSERS Assistant Director

**Judy Wright**

LSERS Public Information Director and

Newsletter Editor

# Electronic Direct Deposit Now Available

Electronic direct deposit (EDD) of retirement funds is available to all retirees. 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).

Although EDD is not mandatory for members of the Louisiana School Employees' Retirement System, it is highly recommended since it has numerous advantages. A few of these advantages are:

- 1** You would not have to wait to receive your check in the mail.
- 2** Your check will not be misplaced, lost or stolen so you will not have to wait for a replacement check to be issued.

**3** You avoid overdraft and NSF charges from late or forgotten deposits.

**4** You don't have to go to the bank or credit union to deposit your check.

**5** Your deposit will be made even if you are at a temporary location or away on vacation.

**6** Deposits to a savings or interest-bearing account will be credited and eligible to earn interest on the first day of each month.

**7** Funds are available through automatic teller machines (ATMs) at most banks and Credit unions.

If you are interested in EDD, please contact our office at (225) 925-6484 or outside of the Baton Rouge area at 1-800-256-3718.



## Crossroads

This public document was published at a total cost of \$2,294.00. Twenty-six thousand five-hundred copies of this document were published in this first printing at a cost of \$2,294.00. The total cost of all printings of this document, including reprints, is \$2,294.00. 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.

**Louisiana School Employees' Retirement System  
P.O. Box 44516 - Capitol Station  
Baton Rouge, Louisiana 70804-4516**

**Location:** LSERS Building  
8660 United Plaza Blvd. - First Floor  
Baton Rouge, Louisiana 70809

Telephone (225) 925-6484, Toll-free 1-800-256-3718  
Office Hours: 8:00 a.m. to 4:30 p.m., Monday-Friday  
Visit LSERS' Web site at: [www.lasers.state.la.us](http://www.lasers.state.la.us)

Presorted  
Standard  
U.S. Postage  
PAID  
Baton Rouge, LA  
Permit No. 508