

## The economy and your DROP account earnings

A number of factors impact your DROP account earnings.

The Deferred Retirement Option Plan (DROP) has two different account investment programs that are commonly referred to as "DROP" and "DROP LA".

You are automatically placed in either DROP or DROP LA based on your DROP eligibility date. You were placed in "DROP" if you were eligible for DROP prior to January 1, 2004 and decided to participate. You

were placed in DROP LA if you became eligible for DROP on or after January 1, 2004.

The maximum period of participation in DROP is three years, but your period of participation is based on when you were first eligible to participate in DROP.

Your DROP account begins to earn interest after DROP participation is complete, as your DROP account does not earn interest while deposits are being made to your account. DROP earning rates, like other investments, fluctuate with economic and stock market conditions.

Over the past 12 months interest rates on all types of fixed income investments continued to significantly decline as the Federal Reserve attempted to jumpstart the economy by reduc-



ing the borrowing costs for individuals and businesses.

In addition to the Federal Reserve's actions, investors pushed rates lower as large amounts of cash flowed into the safety of US Treasury securities and away from the stock market

and foreign accounts. Rates on bonds and bank CD's are at all time lows with short term funds paying less than 1/2 of 1%. Stocks are still substantially below their market peaks of 2007, despite the very good performance experienced for

the twelve months ending June 30, 2010.

The "DROP LA" funds are invested in the **Federated Prime Obligations Fund**, which is a money market fund. A money market fund is an investment vehicle that strives to

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### Annual member statements available online

Active members have convenient and easy online access to member statements 24 hours a day, 7 days a week through Member/Employer Login at [www.lasers.state.la.us](http://www.lasers.state.la.us). View and print your annual member statements by simply logging into your account, clicking on "Active Status," and then clicking on "Statements." A listing of your annual member statements will be displayed.

**Not registered?** You can sign up today by clicking on "New User" and filling out all of the required information. Immediate access to your member statement will be provided and a confirmation letter mailed to your home address. **Avoid suspension of your account by returning the confirmation letter to our office within 60 days.**

### Meeting Schedule

LSERS' Board of Trustees' meetings are open to the public. Meetings are held in the First Floor Board Room of LSERS' Building, located at 8660 United Plaza Blvd., in Baton Rouge, LA. The following is the meeting schedule for the 1st Quarter of 2011:

1/10/11	ICM	9:00 a.m.
2/7/11	RBM	9:00 a.m.
2/8/11	RBM	8:30 a.m.
3/14/11	ICM	9:00 a.m.
4/11/11	ICM, PCM	9:00 a.m.

ICM – Investment Committee Meeting  
 RBM – Regular Board Meeting  
 PCM – Personnel Committee Meeting

## Reminder...

### Annual disability retirees' earnings reports due by May 1, 2011

"Statement of Annual Earnings & Disability Receipts" forms will be mailed by February 2011. Disability retirees **must** report their income to LSERS each year to continue receiving their benefit payments.

**Avoid an interruption in your benefits** – complete the form, sign it in the presence of a notary, and return the form to our office no later than May 1, 2011.

*NOTE: Nursing home residents are excluded from this reporting requirement; however, a letter from the nursing home certifying residency must be on file with LSERS for the exemption to apply.*

Contact LSERS if you need more information or have any questions about filing your "Statement of Annual Earnings & Disability Receipts." You can reach us by telephone at 225.925.6484 or toll free at 1.800.256.3718 or by email at [lserswebmaster@lsers.state.la.us](mailto:lserswebmaster@lsers.state.la.us).

## LSERS now accepting retirement applications 6 months in advance

LSERS is pleased to announce that retirement applications will now be accepted up to 6 months prior to a member's date of retirement.

### Important Information:

- Coordinate your date of retirement with your employer and inform LSERS of any changes **before** cashing or depositing your first retirement benefit check. You will be considered officially retired and your retirement cannot be cancelled once your retirement benefit check has been cashed or deposited.
- An *Authorization for Direct Deposit* (Form 8) **must** be completed to indicate the financial institution that is to receive your benefits.

Contact LSERS if you need more information or clarification on applying for your retirement benefits. You can reach us by telephone at 225.925.6484 or toll free at 1.800.256.3718 or by email at [lserswebmaster@lsers.state.la.us](mailto:lserswebmaster@lsers.state.la.us).

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maintain a constant \$1.00 unit value to minimize the possibility of any loss of principal<sup>1</sup> while still paying a market rate of interest. The fund's one month yield was 0.02% in June 2009, had declined to 0.0% by June 2010, and the total yield for the year was only 0.03%. The good news is that the

### Federated Prime Obligations Fund

did exactly what it was designed to do - NOT LOOSE ANY VALUE - providing a 1.82% return over the prior 3 years. That compares very favorably to the stock market's negative return of -9.81% for the same time period, as measured by the S&P 500 Index.

DROP accounts are invested in the same pool of assets as the System's assets. The rate of earnings on the account is equal to the **actuarial rate** of return, less ½ of 1% (0.50) administration fee. The actuarial rate of return is calculated by the System's actuary at the end of each fiscal year. That rate is then applied to the monthly balances for the prior year.

We are frequently asked how the actuarial rate is calculated, as it often defies logic when viewed in light of current market returns. The actuarial rate is a combination of the actual returns experienced by the LSERS portfolio over the prior three years. Three-year returns are used to smooth out the volatile ups and downs and present a more stable representation of what the market has been doing. Smoothing also removes some of the risk of bad timing when your withdrawal date corresponds with a very negative point in the market.

The formula used by the actuary weighs each year's actual return, realizing only 1/3 of the performance each year, spreading it out over three years. In this manner the actuarial return always lags the markets. The rates for the fiscal years 2008, 2009 and 2010 were as follows:

Fiscal Year-end	6/30/2010	6/30/2009	6/30/2008
Market Return	13.02%	-16.94%	-4.74%
Actuarial Return	0.55%	-7.08%	5.87%
Old DROP Account Rate	0.05%	0.00% <sup>2</sup>	5.37%

You can clearly see the actuarial rate lags the market rate. The smoothing based on the inclusion of the prior two years resulted in a positive return, despite a negative market return in 2008. Also in 2009, DROP participants were spared the brunt of the large negative market return and 2010 is a period where the positive return has yet to be fully realized.

<sup>1</sup> Investments in the fund are not insured by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although the fund seeks to preserve the value of the investment, it is possible to lose money by investing in this fund.

<sup>2</sup> The DROP rate for 2009 would have been a negative -7.58% were it not for the protection against a negative return provided by a 2002 Attorney General's opinion that stated, "The accrued benefits of members of any state wide public retirement system shall not be diminished or impaired."

# 1099-R's to be mailed in January

LSERS will be mailing 1099-R forms to all retirees by the end of January 2011. Avoid delays in filing your income tax return by making sure we have your current address on file. You can update your address by completing the **LSERS Member Change of Address** form located on the last page of this newsletter and returning it to our office as soon as possible.

**LSERS retirement benefits are not subject to Louisiana state income taxes for residents filing a Louisiana Income Tax form.**

Explanation of amounts on the 1099-R form (see below):

- Box 1 Gross Distribution - Total amount you received in the 2010 calendar year
- Box 2a Taxable money you should report on your income tax return
- Box 4 Federal tax withheld from your retirement benefit
- Box 5 Tax-free portion of retirement benefits you received during the calendar year. This is NOT the amount of your insurance premium. It represents *unsheltered contributions withheld* from your salary before 7-1-1994 that had already been taxed. This amount is the difference between the *Gross* distribution in Box 1 and the *Taxable* amount in Box 2a.

If you have no amount in Box 5 - you have no tax-free benefits.

Note: Disability retirees will have tax-free benefits reflected in Box 5 until they reach their normal retirement eligibility age.



9898  VOID  CORRECTED

PAYER'S name, street address, city, state, and ZIP code

1 Gross distribution  
\$

2a Taxable amount  
\$

2b Taxable amount not determined  Total distribution

3 Capital gain (included in box 2a)  
\$

4 Federal income tax withheld  
\$

5 Employee contributions / Designated Roth contributions or insurance premiums  
\$

6 Net unrealized appreciation in employer's securities  
\$

7 Distribution code(s)  IRA/SEP/SIMPLE

8 Other  
\$ %

9a Your percentage of total distribution %  
\$

9b Total employee contributions  
\$

10 State tax withheld  
\$

11 State/Payer's state no.  
\$

12 State distribution  
\$

13 Local tax withheld  
\$

14 Name of locality  
\$

15 Local distribution  
\$

PAYER'S federal identification number

RECIPIENT'S identification number

RECIPIENT'S name

Street address (including apt. no.)

City, state, and ZIP code

1st year of desig. Roth contrib.

Account number (see instructions)

Form 1099-R

Cat. No. 14436Q

OMB No. 1545-0119

2010

Form 1099-R

Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

Copy A For Internal Revenue Service Center

File with Form 1096.

For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.

Department of the Treasury - Internal Revenue Service



## New guidelines for extended sick leave established

LSERS has established new guidelines for Extended Sick Leave associated with retirement contributions, service credit, and eligibility credit. These new guidelines are as follows:

When a member goes on extended sick leave, he/she will make a choice between contributing to their retirement at 100% of their salary, or at their reduced extended sick leave salary, which is typically 65% of their salary.

Members should be aware that the choice they make impacts their service credit and final retirement benefits.

Service credit and eligibility credit will be based on the contribution rate the member chooses. Members who contribute on 100% of their full-time salary will receive a full year of retirement service credit and eligibility credit. Members who contribute on the reduced extended sick leave salary received (assuming it is 65% of their full salary) will receive reduced retirement service credit and 100% eligibility credit.

Example:

A member worked half of the year during their last year of employment and then went on extended sick leave for the

last 90 days of their contract and chose to contribute on 65% of their full salary. The member will retire with 29.83 years of service for computation purposes and 30 years for eligibility purposes (assuming the member was on extended sick leave for 90 days).

The calculation is as follows:

$90 \text{ days} / 180 \text{ days in contract} \times 65\%$  (reduction for extended sick leave) = 33%.

**LSERS will no longer require certification of extended sick leave.** Exception: In cases of disability retirement and only when necessary, certification of extended sick leave will be required for excluding time on extended sick leave for disability eligibility purposes, as mandated by statute.

### Need more information?

Reporting contributions - contact Kristie Thomas at 225.925.4353 for employer numbers 36-37. All others contact Kim White at 225.925.4411.

Disability retirement eligibility - contact Michelle Reeves at 225.925.6922 or Ann Hager at 225.925.4394.

# Retirement?

## Retirement structure changes for new hires effective January 1, 2011

Employees hired on or after January 1, 2011 will have different eligibility requirements and benefit structures for retirement, in accordance with Act 992 of 2010.

Major changes under provisions of this act include:

- Employee contribution rate of 8%;
- Employee accrual rate of 2.5%;
- 15% limitation on salary increases in the 60-month final average compensation;
- **Eligibility Requirements**
  - **Service Retirement**
    - 5 years of service at age 60 or
    - 20 years of service, regardless of age, with an actuarially reduced benefit;
  - **Disability Retirement**
    - 10 years of service
    - will be allowed Option Election upon approval of disability by State Medical Disability Board;
  - **Surviving Spouse Benefits**
    - Member must have been married for at least 1 year prior to death and had 10 or more years of service credit.
    - Option 2 beneficiary amount actuarially reduced (if applicable) or \$600 per month, whichever is greater;
  - **Minor Child/Children Benefits**
    - Member must have had 5 years of service credit.
    - Benefit shall be paid in addition to surviving spouse benefit.
    - Each child (maximum of 2 children) shall be paid a benefit of 50% of surviving spouse benefit;

Total surviving spouse and minor child/children benefits payable cannot be less than the Option 2 benefit to which the member would have been eligible to receive under early retirement provisions.

Contact LSERS if you need more information or clarification on these new provisions. You can reach us by telephone at 225.925.6484 or toll free at 1.800.256.3718 or by email at [lserswebmaster@lsers.state.la.us](mailto:lserswebmaster@lsers.state.la.us).

## Active-Member District 1 election scheduled for 2011

Are you interested in running for election to LSERS' Board of Trustees? An election is scheduled to fill the **Active-Member District 1** seat on LSERS' Board of Trustees. The elected member will serve a four-year term beginning January 1, 2012 and ending December 31, 2015.

Candidates for the **Active-Member District 1** seat must be actively employed by a school system. "Active Member" does NOT include any retiree who has returned to work under the provisions of R.S. 11:1006 or 11:1007. Candidates must reside in one of the following parishes: Assumption, Iberia, Iberville, Jefferson, Lafayette, Lafourche, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John, St. Martin, St. Mary, and Terrebonne. A member who resides out of state must be employed in one of these parishes.

Candidates should submit a **written** request for an official **Nominating Petition** to Mr. Charles P. Bujol, Executive Director of LSERS. The request should be mailed to Post Office Box 44516, Baton Rouge, LA 70804, faxed to 225.922.0350, or delivered to 8660 United Plaza Boulevard, First Floor, Baton Rouge, LA 70809.

Candidates must also obtain signatures, social security numbers, and addresses of **ten (10) active** members of LSERS who reside in District 1. Complete and notarized nominating petitions must be received in LSERS' office by **4:30 p.m. on March 1, 2011**. Confirmation of qualification will be mailed to the candidate following verification of the nominating petition.

**If more than one candidate qualifies**, a ballot and brochure containing the name, profile, and

photograph of each candidate, as well as a self-addressed, postage-paid return envelope, will be mailed to each voter's home address on **May 2, 2011**. Ballots must be returned by **4:30 p.m. on June 3, 2011**. Counting of ballots will be conducted on **June 13, 2011**.

Questions regarding this election should be directed to Warren Ponder, Executive Counsel, at 225.925.6560 or 1.800.256.3718.



**CRAIN AND RESTER SWORN IN ...** Ms. Betty Crain was sworn in for her third term as a Retiree Representative and Mr. Eugene Rester, Jr. was sworn in for his second term as the Active-Member Representative for District 2. Ms. Crain and Mr. Rester begin their four-year term of office on January 1, 2011.



### SCHEDLER JOINS BOARD...

*Interim Secretary of State Tom Schedler replaces former Secretary of State Jay Dardenne, who stepped down from the board when he assumed the position of Lieutenant Governor of Louisiana in November. Schedler has an extensive career in government, serving both locally and on the Louisiana Senate before being named Assistant Secretary of State in 2007. Welcome Secretary Schedler.*

## LSERS' Board of Trustees elects officers

At its December meeting, the LSERS' Board of Trustees elected officers for a two-year term beginning January 1, 2011. They are Mr. Larry Wilmer, Chairman; Mr. Jeffrey Faulk, Sr., Vice-Chairman and Ms. Betty J. Crain, Vice Chair Pro-Tem.

## MAILING, DIRECT DEPOSIT, AND STOP PAYMENT DATES FOR MONTHLY BENEFIT CHECKS

Check For	RETIREE, DROP, & IBRP		DROP-LA & IBRP-LA		Stop Payments Issued for Checks not Received
	U.S. Mail	Direct Deposit	U.S. Mail	Direct Deposit	
January 2011	12-30-2010	1-3-2011	1-4-2011	1-5-2011	1-11-2011
February 2011	1-31-2011	2-1-2011	2-3-2011	2-7-2011	2-9-2011
March 2011	2-28-2011	3-1-2011	3-3-2011	3-7-2011	3-10-2011
April 2011	3-31-2011	4-1-2011	4-4-2011	4-5-2011	4-11-2011

## Getting to LSERS is Simple

LSERS office is off Essen Lane between 1-10 and 1-12. The street address is 8660 United Plaza Blvd. in Baton Rouge.

From 1-10, exit on Essen Lane. Turn right if coming from the south and left if coming from downtown or the north. Turn right on United Plaza Blvd. LSERS is the first building on the left.

From 1-12 east, exit on Drusilla Lane and turn left. Turn right on Jefferson Highway and left on Essen Lane. Take the second entrance to United Plaza Blvd. on the left. LSERS is the first building on the left. From 1-12 west, exit on Essen Lane. Take a right on Essen Lane, then the second entrance to United Plaza Blvd. on the left. LSERS is the first building on the left.

## LSERS BOARD OF TRUSTEES

### Larry Wilmer, Chairman

*President, LA School Bus Operators Association,  
318.964.5928*

### Jeffrey Faulk, Sr., Vice Chair

*Retiree Representative, 337.893.3315*

### Betty Crain, Vice Chair Pro Tem

*Retiree Representative, 985.735.5359*

### Philip B. Walther

*1st Retirement District, 504.443.4005*

### Eugene Rester, Jr.

*2nd Retirement District, 985.516.0369*

### Judith McKee

*3rd Retirement District, 318.649.7696*

### Kathy Landry

*4th Retirement District, 337.477.6161*

### Ex Officio Members:

#### Tom Schedler

*Secretary of State, 225.922.2880*

#### John Kennedy

*State Treasurer, 225.342.0010*

#### D.A. "Butch" Gautreaux

*Chairman, Senate Committee on Retirement  
225.342.0656*

#### J. Kevin Pearson

*Chairman, House Committee on Retirement  
225.342.2445*

#### Charles P. Bujol

*LSERS Executive Director*

#### Carolyn Forbes

*LSERS Assistant Director*

#### Jennifer Champagne

*Administrative Assistant*

### 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)

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## 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 all information except for your signature.

Name \_\_\_\_\_ Home phone: \_\_\_\_\_

Address \_\_\_\_\_

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

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

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