LASERS
Louisiana State Employees' Retirement System

Compact Guide to LASERS

April 2011

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History, Structure and Funding

The Louisiana State Employees' Retirement System (LASERS), a qualified defined benefit pension plan, was created in 1946. LASERS membership includes rank & file state employees and special plans for: judges, certain legislative officials and statewide elected officials, correctional officers in the Department of Public Safety and Corrections, bridge police for the Crescent City Connection, enforcement agents with the Department of Wildlife and Fisheries, Alcohol and Tobacco Control officers, and peace officers.

Retirement benefits are paid monthly for the retiree's lifetime and are calculated based on the following formula:

accrual rate **x** *years of service credit* **x** *final average compensation*

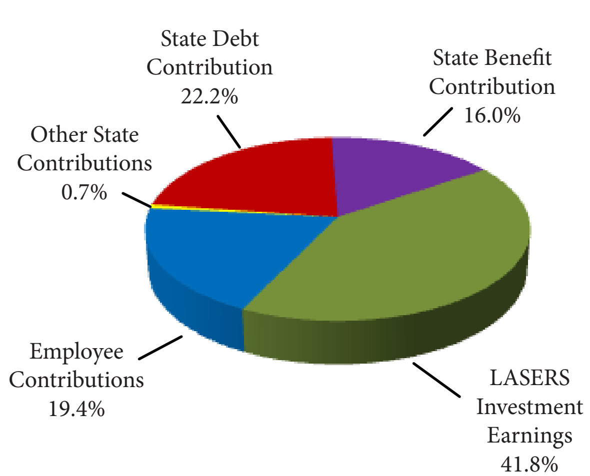
The accrual rate varies for each benefit group depending on dates and type of service. See Appendix: Exhibit A for a listing of accrual rates by membership category.

Funding for LASERS benefits comes from three sources:
- LASERS Investment Earnings
- Employee Contributions
- State (Employer) Contributions

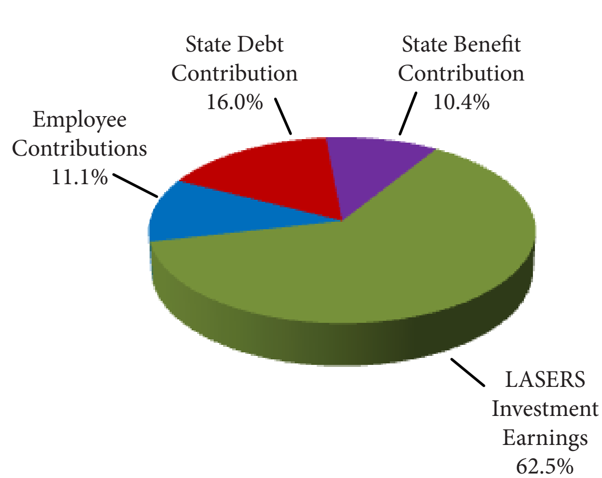
LASERS Investment Earnings

Returns generated from LASERS investments make up the largest portion of funding. Over the past 20 years, LASERS investment earnings have contributed over 41% of revenue. In FY 2010, LASERS investment earnings accounted for more than 62% of revenue.

LASERS Revenue 1991-2010 (20 years)



LASERS Revenue FY 2010



LASERS investment program posted impressive market gains for FYE 2010, and has also proven effective over the long term.

- Investment return of **16.1**% as of Fiscal Year End 2010

LASERS in-house investment staff manages approximately 30% of investments, saving millions of dollars per year versus active outside management.

LASERS Investments as of 1/31/2011	
Total Assets	$8.984 billion
Fiscal Year to Date (July 1 – January 31)	18.7%

LASERS market returns are more than just a component of funding. They play a large part in determining LASERS actuarial rate of return as well.

The market gains or losses are smoothed by gradually recognizing the change in value of these assets over a four year period. The "smoothed" value is the actuarial value of assets.

The funding of the system assumes that LASERS actuarial rate of return will be 8.25%. If the actuarial return is less than 8.25%, the deficit must be recouped through future state contributions. If the actuarial return exceeds 8.25%, the excess interest earnings are used to "credit" future state contributions. Theoretically, if the 8.25% target is achieved on average, these credit and deficit payments will average zero over the long-run.

- *As of FYE 2009 - LASERS 25 year compounded actuarial return average is 8.41%.*
- *As of FYE 2010 - LASERS 26 year compounded actuarial return average is 8.17%.*

► *LASERS has exceeded the assumed 8.25% actuarial return in 19 of the past 26 years.*

► *From February 2009 through mid-February 2011, LASERS has added over $3 billion to our fund.*

Employee Contributions

State employees pay a percentage of their salary toward their own retirement benefit. The following table shows the employee contribution rates for *new hires beginning January 1, 2011*.

For a complete listing of employee contribution rates for all LASERS membership categories, please see Appendix: Exhibit A.

Rank and File Members	8.0%
Hazardous Duty Members	9.5%
Judges	13.0%

State (Employer) Contributions

From the beginning, benefits through LASERS were granted, but not fully funded by the State of Louisiana. As an example, the table below shows the contribution (as a percentage of payroll) necessary to fully fund benefits versus the lesser amount paid by the State annually from 1959 to 1968 and 1983 to 1991.[1]

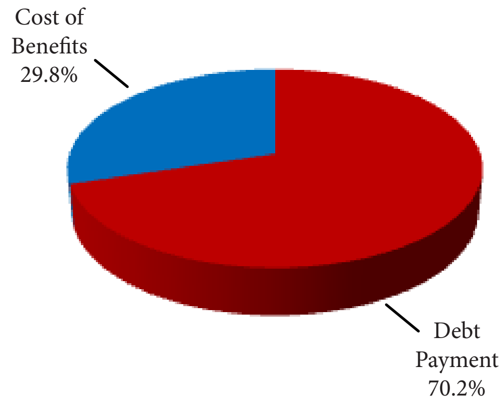
FYE	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
State Contribution Required	9.8%	11.81%	9.53%	9.91%	12.26%	11.51%	11.04%	11.98%	11.09%	11.09%	11.18%
State Contribution Received	6.0%	6.0%	6.0%	6.0%	6.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

FYE	1983	1984	1985	1986	1987	1988	1989	1990	1991
State Contribution Required	10.96%	10.94%	10.85%	12.11%	12.5%	12.4%	12.22%	14.09%	12.70%
State Contribution Received	9.2%	9.2%	9.2%	10.2%	10.2%	11.2%	11.2%	7.80%	10.7%

The many years of insufficient contributions from the State resulted in a large initial unfunded accrued liability (IUAL, or initial debt). A 1987 Constitutional Amendment required the State to begin paying the full contribution necessary to fund the normal cost of benefits for LASERS members and to amortize the initial debt for payment by 2029. Other factors have also contributed to the System's total unfunded accrued liability (UAL, or total debt), including interest on the initial debt, investment losses, changes in assumptions, and benefit enhancements granted by the Legislature without funding.

Because of this, the State contribution consists of two components: accruing benefits and the debt payment. The debt payment makes up the greatest percentage of the State's contributions each year. As an example, for the 2010-2011 fiscal year, the total State contribution of 22% consists of 6.56% for the cost of employee benefits and 15.44% for the debt payment. That means over 70% of what the state paid to LASERS that year was for the debt.

FY 2010-2011 Breakdown of State Contribution

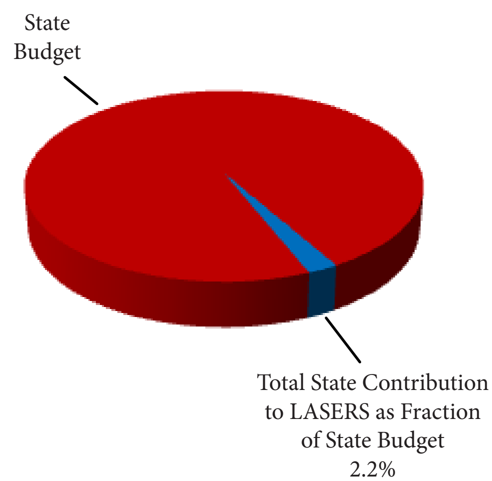


[1] State Contribution Required and State Contribution Received data for 1959-1969 was compiled using historical documents at LASERS, and should be taken as approximate. This data for 1970-1982 is not available. This data for 1983-1991 is supported by LASERS actuarial valuations.

Fiscal and Financial Impact

There is a misconception that employer contributions to LASERS comprise a significant portion of the State operating budget. In fact, State payments to the retirement system are approximately 2% of the overall operating budget.

FY 2010-2011 State Contribution as Fraction of State Budget[2]



Additionally, LASERS continues to be a major economic driver for our State.

- LASERS paid more than $860 million in benefits and refunds in FY 2010.
- Over 90% of LASERS retirees live in Louisiana, resulting in a $782 million impact on our State and hometown economies.
- LASERS invests over $230 million in Louisiana companies.

It is also important to keep in mind that the average rank and file benefit is only $19,140 per year. LASERS members do not participate in Social Security. LASERS ensures their retirement security.

[2] FY 2010-2011 Total Louisiana Budget – General Appropriations ($27,002,190,991)

Recent Issues: Consolidation

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A financial analysis shows that consolidation of the systems is neither cost effective nor beneficial to the systems or the State of Louisiana.

Cost Analysis

Transaction costs associated with merging $9 billion in assets into a larger fund could have an upfront cost conservatively of $30 million to $44 million. Transaction costs associated with combining $23 billion in assets could easily cost up to $170 million.

Even if the systems were able to achieve additional economies of scale of up to 15 basis points. Such a savings for a $9 billion plan would amount to $4.5 million. For a $23 billion plan, the savings would likely be no more than $18 million at best.

<u>Any economies of scale savings would be offset 10 to 1 by the immediate upfront costs.</u>

Each retirement system manages an investment pool for the sole purpose of funding the liabilities of the respective system. Each system has an actuarial target rate of return set by the Public Retirement Systems' Actuarial Committee (LASERS is 8.25%), and the asset allocation of the system is framed based on such rate.

LASERS investment fund benefits from a sophisticated asset allocation including both traditional and alternative assets. At first glance, it seems that there could be economies of scale resulting in fee savings and higher returns if the assets were combined. However, this is not the case.

- No more than 50% of system assets can be consolidated. Assets that cannot be consolidated include:
    - ♦ Approximately 30% of the portfolio internally managed, saving $6 million annually.
    - ♦ Alternative assets/private partnerships such as real estate, private equity, etc.
    - ♦ Constrained asset classes such as small cap equity and emerging market equity.
- Remaining Assets – Includes efficient asset classes such as domestic and international large cap equity, core fixed income, etc. which provides little cost savings by consolidation. Adding additional dollars to a fewer number of investment managers does not drastically reduce investment management fees.
- **<u>A significant impact of consolidating investment programs would be increased investment risk, having a larger number of assets with fewer managers.</u>**

Effect on Unfunded Accrued Liability

- No reduction.
- Constitutional requirement: payment of system debt and financial soundness.

Bigger Does Not Mean Better

- Consolidation does not ensure higher returns. LASERS returns, as an unconsolidated system, are among the highest in the nation.
  - ♦ Ranked in the top 3% of all public pension plans with market values greater than $1 billion in the Trust Universe Comparison Service (TUCS) for the 1 year period ending 12/31/2010
    - ▪ LASERS long term TUCS rankings: five years - top 13%; ten years - top 17%.
  - ♦ Comparison to Large Public Pension Systems:
    - ▪ LASERS outperformed the largest retirement system in the country, CalPERS.

System	FYE 6/30/10 Return	Assets as of FYE 6/30/10
LASERS	**16.1%**	**$7.7** billion
CalPERS	11.4%	$200.0 billion
CalSTERS	12.2%	$129.7 billion
Florida Retirement System	14.0%	$109.3 billion
TRSL	11.6%	$11.9 billion
MOSERS	14.3%	$7.0 billion

LASERS investments fees are lower than the average paid by state retirement systems

- A study conducted by Greenwich Associates surveyed 80 state retirement systems regarding fees paid to traditional outside investment managers in 2008. The average fee paid to traditional outside managers was 39.5 basis points (0.395%), while LASERS paid 35.8 basis points, lower than the average.
- In addition, LASERS manages approximately 30% of the portfolio internally, saving approximately $6 million in management fees each year. When LASERS internal management is factored in, ***LASERS averages 21.4*** basis points in management fees.

Boards/Governance

- Current structure works as reflected by investment performance noted above.
- Issues of representation – system members are given a lower proportional representation with a consolidated board.
- Would appointees have conflicts of interest or the requisite experience?
- A consolidated board, even without the consolidation of investments will tend to make similar decision which would cost the system the value of individual scrutiny and attention to plan specifics and needs – this creates additional risk.

    - ♦ Such decisions eliminate diversification – both in actual asset allocation and diversification across investment managers – this creates additional risk.

<u>LASERS has a highly qualified investment staff.</u>

- Eight investment professionals, all hold a Masters in Finance or an MBA with a concentration in Finance.
- LASERS CIO has 19+ years investment experience (13 years with LASERS).
- LASERS has two CFA Charterholders on staff and one staff member who is slated to receive the charter in 2011.
- LASERS has one CAIA (Chartered Alternative Investment Analyst) on staff and three staff members currently enrolled in the program.
- Two staff members are Certified Treasury Professionals.

Key Consolidation Concerns

► Consolidation not supported by system returns.

- LASERS ranked in the top 3% of all public pension plans with market values greater than $1 billion in the Trust Universe Comparison Service (TUCS) for the 1 year period ending 12/31/2010.

► In volatile markets management oversight is critical.

- The system has achieved the expected return and results. This cannot be assured with less attention to detail.

► Consolidation could actually increase the number of employees.

- The way the systems collect and process contributions is vastly different and creates disparities. Coordinating these disparities will result in staff increase.
- Additional investment staff may be needed.
- Changes in financial reporting with one board will result in staff increase.
- Additional level of audit would increase staff.

► Issues of representation

- We must assure that all member groups – active and retired – from each system are adequately represented. Adequate representation with mega board would make for an unmanageable board size.

► Lack of investment oversight and scrutiny.

- Currently, each Chief Investment Officer (CIO) is responsible for the daily oversight and management of the plan's specific investment portfolio.

  i. Each plan has a unique set of circumstances: asset allocation, plan needs, expected return, funded ratio, and investment policies.
  ii. If the CIO function is removed from the individual systems, the functions of the CIO will still need to be performed, thus adding only an additional layer of management, not providing any cost savings or increased efficiency.

- A consolidated board of trustees will tend to make similar decisions over time, reducing diversification among the plans – both in actual asset allocation and diversification across investment managers.

► ***Consolidation will neither reduce nor affect the unfunded liability.***

Recent Issues: Defined Benefit & Defined Contribution

Key Points

- Switching to a Defined Contribution (DC) plan would result in no cost savings.
- Switching to a DC plan will not reduce the unfunded accrued liability.
- The current average benefit for a regular LASERS retiree is $19,140 per year.
- Louisiana public employees do NOT participate in Social Security.

Defined Benefit and Defined Contribution

Defined Benefit - A defined benefit plan differs from a defined contribution plan in that it provides a guaranteed monthly benefit for the lifetime of the retiree. The LASERS plan also affords disability retirement, spousal benefits, and benefits to survivors of employees who die while in state service.

Defined Contribution - A defined contribution plan, usually in the form of a 401(k), can only pay out those funds that have been paid in to the plan, as impacted by the gains or losses of the market. A retiree with only a defined contribution plan who makes poor or overly conservative investment decisions or those who outlive retirement benefits may create social costs.

LASERS Defined Benefit Plan

The LASERS defined benefit plan provides retirement security to public employees at an affordable cost – about 6.6% of payroll. These employees do not participate in Social Security and therefore would have no assured income without their public pension. If the State paid for its public employees to participate in Social Security, the cost would be 6.2% of payroll. If a defined contribution plan was adopted to supplement Social Security, any State contribution would be on top of the 6.2% required payment.

Although the LASERS defined benefit plan offers a guaranteed retirement benefit, the average retiree's benefits are hardly lucrative. The average regular state retiree's monthly benefit is $1,595 ($19,140 annually). As of October 2010, about 22% of LASERS retirees were receiving a benefit that places them below the federal poverty threshold.

Advantages of a Defined Benefit Plan

The advantages of a defined benefit plan are significant and include:

- Retirement Security.
  - ♦ Reduces the need for public assistance to retirees.
- Economic impact for Louisiana.
  - ♦ Pumping more than $780 million into the local economy; over 90% of LASERS retirees stay in Louisiana spending pension dollars in local communities.
  - ♦ LASERS invests in Louisiana (over $230 million in Louisiana stocks, bonds, and private equity as of 6/30/2010).
- Lower costs.
  - ♦ Advantage of long-term investing and lower costs to administer than DC plans.
  - ♦ National Institute on Retirement Security report calculates that defined benefit retirement plans can provide benefits at nearly half the cost of individual 401(k)-type defined contribution accounts.
- Recruitment and retention of qualified staff for public employers.

Suggesting that the State would save money by switching to a defined contribution plan ignores the fact that the State remains obligated to pay the debt of the defined benefit plan for existing employees and retirees. In addition, the debt payment would be absorbed by a shrinking payroll, increasing the State contribution percentage.

Recent Issues:
Unfunded Accrued Liability

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What is the Initial Unfunded Accrued Liability (IUAL)?

- The IUAL is the *debt* owed to the Louisiana State Employees' Retirement System (LASERS) by the State of Louisiana from the inception of the system through June 30, 1988.
- LASERS was created in 1946 with an unfunded liability. Benefits were granted but not fully funded. The IUAL began accruing interest on June 30, 1988, at the rate of 7.5% annually. Since 1990, the IUAL has accrued interest at the rate of 8.25% annually.
- 1987 Constitutional Amendment led to a 40-year amortization schedule for the IUAL, requiring that the debt be satisfied by 2029.

What is the Unfunded Accrued Liability (UAL)?

- The UAL is the initial debt **plus** *any additional unfunded liability accrued* since June 30, 1988.
- The UAL is the total amount by which the retirement system's liabilities (benefit obligations) exceed the assets of the system.
- Payments to the UAL are amortized over a specified period of time.

The Payment Schedule

Act 497 of the 2009 Regular Legislative Session

Act 497 of the 2009 Regular Legislative Session changes the payment schedule for the LASERS Unfunded Accrued Liability, consolidating many of the existing schedules as of 2008 into two amortization payment schedules. The first schedule is called the Original Amortization Base (OAB - this includes the *Initial Unfunded Accrued Liability* and all schedules with a credit balance through 2008). The second schedule is the Experience Account Amortization Base (EAAB), and includes most of the remainder of the Unfunded Accrued Liability through 2008.

Funds which were held in the Employee Experience Account and the IUAL account (which include Legislative appropriations and the Texaco settlement) were used to decrease the UAL. Additionally, the first $100 million of excess investment earnings and fifty percent of any additional excess investment earnings in each fiscal year will be used to reduce the outstanding balance of these payment schedules.

Remainder of the UAL

In addition to the OAB and the EAAB, each year following 2008 will have an additional schedule (either positive or negative) that will be amortized over a 30 year period.

Steps Taken to Address the UAL

1987 – Act 947 (Constitutional Amendment)

- Requires retirement systems to be actuarially sound
- IUAL (UAL as of 1988) must be paid off by 2029

1988 – Act 81 of 1988

- Increased the rank and file employee contribution rate from 7% to 7.5%

2005 – Act 75 Rank and File members hired after 7/1/2006

- Increased employee contribution rate from 7.5% to 8.0%
- Limited retirement eligibility to 10 years of service at age 60
- Increased the period used to determine the average earnings for benefits from 3 to 5 years
- Salary spiking cap reduced from 25% to 15%

2007 – Act 484 (Constitutional Amendment)

- Requires retirement provisions with a cost to have a new or additional funding source and be paid within 10 years

2009 – Act 497

- Used legislative appropriations from 2006 and 2008 to reduce IUAL
- Used funds from Employee Experience Account to reduce UAL
- Restructured liability payments to reduce future payments
- Prioritized excess investment earnings' application to debt
- Increased retiree COLA eligibility from age 55 to age 60
- Reduced UAL by approximately $500 million

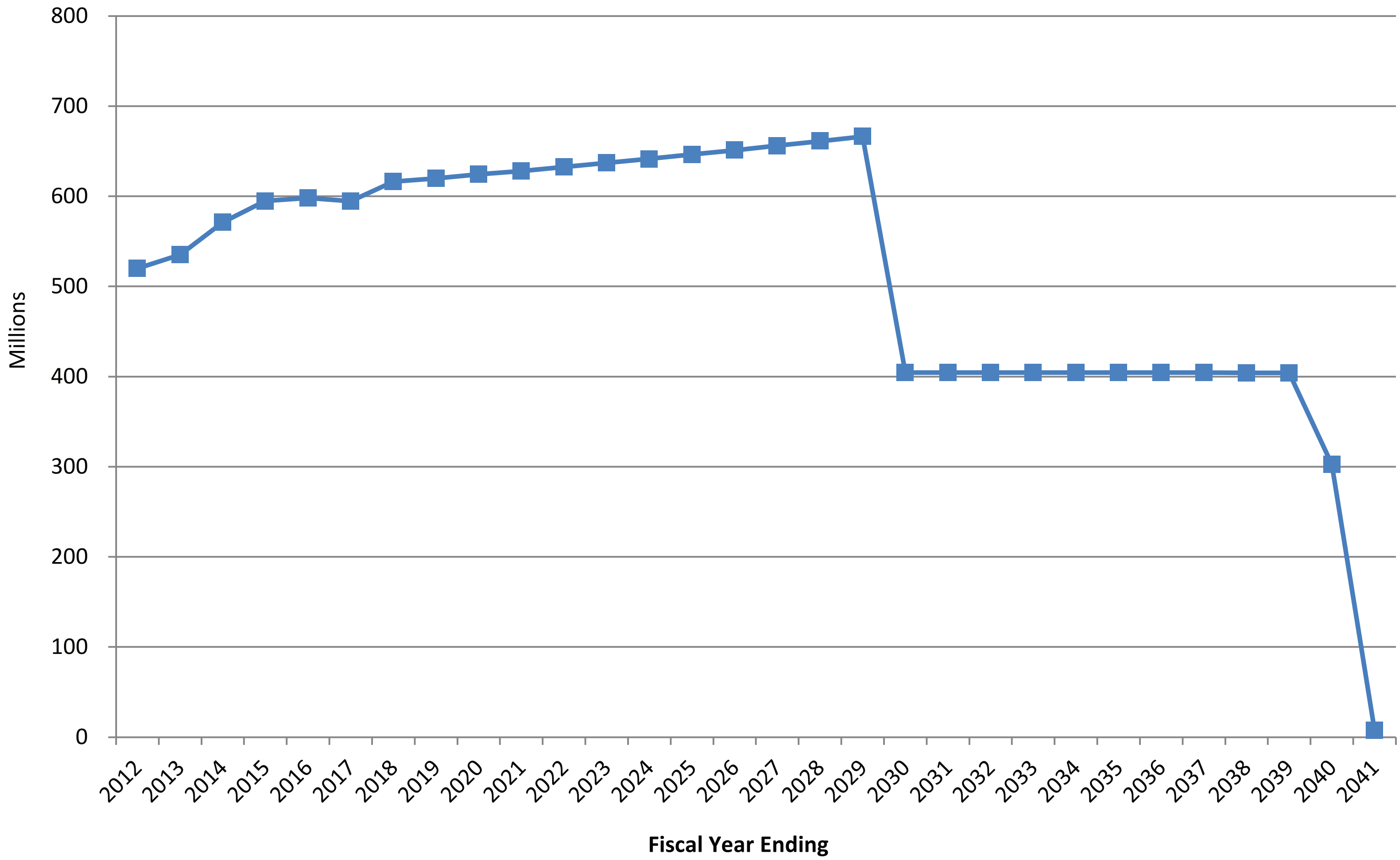
2010 – Act 1048 (Constitutional Amendment)

- Requires 2/3 legislative approval of retirement provisions with an actuarial cost

2010 – Act 992

- Consolidates plans for new hires
- Applies 8% employee contribution rate; 60 month FAC; 15% salary spiking cap to other groups
- Hazardous Duty plans consolidated; benefits adjusted for consistency
- Survivor benefits modified

LASERS UAL Payments*
as of 6/30/2011



***Data on this page has been updated for FY 2011.**

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Recent Issues: Deferred Retirement Option Program

History

The Deferred Retirement Option Program (DROP) began in East Baton Rouge Parish in 1981. About three years later, a DROP feature was added to the Louisiana Municipal State Police plan and then to the Firefighters' Retirement System. In 1990, DROP was legislatively created for LASERS.

How It Currently Works

- When a member reaches retirement eligibility, he/she has a 60-day window to make an irrevocable decision to participate in up to 36 months of DROP.
- There are no employee or State benefit contributions made during DROP.
- During the DROP period, a member's retirement benefit begins to accrue in a side account that may not be accessed until termination.
    - The retirement benefit is calculated based upon the number of service years, accrual rate, and final average compensation existing at the time of retirement eligibility.
        - *Service time a member spends in DROP does not count toward the calculation.*
        - *Salaries from the time a member spends in DROP do not count toward the calculation of the final average compensation.*
    - Ex: A member is eligible for 25 years at age 55 retirement and decides to participate in 36 months of DROP. While in DROP, the member's salary is raised from $50k to $56k. The member's benefit calculation at the end of DROP will be based upon 25 years of service (not 28 because the 36 months of DROP do not count) and the final average compensation of $50k (not $56k because the increase does not count).
- Funds in the DROP account may not be withdrawn until termination of employment.
- If the member continues to work, he/she will begin making contributions to the system again and the money in the DROP account will remain frozen.
    - If the member works for less than three years, he/she will earn a supplemental benefit calculated using the Pre-DROP final average compensation.
    - If the member works for three or more years after completing DROP, he/she will earn a supplemental benefit calculated using the Post-DROP final average compensation.

DROP is cost neutral to LASERS

DROP is a gamble for members because the decision to enter the program must be made at the beginning of retirement eligibility. Once the DROP period begins, it is very possible that a member will receive pay or merit increases. Because the benefit calculation is frozen at the beginning of DROP, these pay raises will not be included in the final average compensation used to calculate their lifetime retirement benefit. In this case, the benefit will be less than if the member had continued working and not participated in DROP. This lower benefit can outweigh the DROP account balance in the long run. History has shown that for approximately half of the members who choose to participate in DROP, it is the wrong personal financial decision. Because of this, DROP in the aggregate is cost neutral to LASERS.

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Keeping LASERS on the Right Track

Major Reforms Adopted

Across the nation, many states are just considering reforms to public defined benefits plans. LASERS has already implemented many of the suggested reforms to help make our defined benefit plan more cost effective.

For a listing of commonly suggested defined benefit reforms and what LASERS has implemented, see Appendix: Exhibit B.

What Can be Done in the Future

- Uphold a defined benefit plan for all new hires.
  - ♦ Defined benefit plans provide the same target benefit for Louisiana retirees at a fraction of the cost of a defined contribution plan.
- Continue to make required scheduled payments for benefits and the debt.
  - ♦ In recent years, Louisiana has met its obligation to pay LASERS the contributions needed to fund benefits. Failure to continue these payments would result in an increase in the debt.
- Continue to reject legislation that has a cost to LASERS without a funding mechanism.
  - ♦ In 2007, a constitutional amendment passed requiring that no new benefits carrying an actuarial cost may be approved unless a new or additional funding source is identified that would pay the cost within ten years.
  - ♦ In 2010, a constitutional amendment was adopted to require a 2/3 vote of the legislature to enact benefit changes with an actuarial cost.
- Reject legislation that allows LASERS members to change irrevocable decisions.
  - ♦ The financial health of LASERS depends on an actuarial balance that includes the assumption that irrevocable decisions <u>cannot</u> be changed. If members are allowed to change irrevocable decisions, they will generally choose to do so only if it is in their best interest. A decision that is financially in their best interest is not in the best financial interest of the retirement system.
  - ♦ Irrevocable decisions include:
    - ▪ Choice of beneficiary.
    - ▪ Election to move into a new plan.
    - ▪ Decision to participate in DROP.

Appendix: Exhibit A

LASERS Louisiana State Employees' Retirement System

LASERS Membership Categories

Plans in effect for new hires after 1/1/2011 are shaded.

Category	Contribution Rate	Accrual Rate	Retirement Eligibility
Regular Employees[1] Hired after 1/1/2011	8.0%	2.5%	5 years at age 60 20 years at any age (actuarially reduced)
Hazardous Duty Employees[2] Hired after 1/1/2011	9.5%	3.33%	12 years at age 55* 25 years at any age* 20 years at any age (actuarially reduced)
Judges[3] Hired/Elected after 1/1/2011	13.0%	2.5% + 1.0%	5 years at age 60 20 years at any age (actuarially reduced)
Regular Employees Hired before 7/1/2006	7.5%	2.5%	10 years at age 60 25 years at age 55 30 years at any age 20 years at any age (actuarially reduced)
Regular Employees Hired on/after 7/1/2006 to 12/31/2010	8.0%	2.5%	10 years at age 60 (after 1/1/2011, eligibility for Regular Employees hired after 1/1/2011 applies)
Corrections Primary Hired before 8/15/1986	9.0%[4]	2.5%	10 years at age 60 20 years at any age*
Corrections Primary Hired on/after 8/15/1986	9.0%	2.5%	10 years at age 60 20 years at age 50* 25 years at any age* 20 years at any age (actuarially reduced)
Corrections Secondary Hired before 1/1/2011	9.0%	3.33%	10 years at age 60 25 years at any age

[1] Includes new hires who would have previously been in a specialty plan, other than judges and hazardous duty employees.
[2] Includes new hires who would have previously been in a hazardous duty specialty plan, as well as personnel in hazardous duty positions which were previously categorized as Regular Employees.
[3] Only includes elected judges. Court officers who were previously part of judicial plan and law clerks hired after 1/1/2011, will be included as Regular Employees.
[4] A contribution rate of 8.5% was paid prior to July 1, 1989.

Category	Contribution Rate	Accrual Rate	Retirement Eligibility
Peace Officers (Treated as Regular Employee prior to 7/1/2006)	9.0%	3.33%[5]	10 years at age 60 25 years at age 55 30 years at any age 20 years at any age (actuarially reduced)
Wildlife Agents Hired before 7/1/2003	9.5%[6]	3.33%[7]	10 years at age 55* 20 years at any age*
Wildlife Agents Hired on/after 7/1/2003 to 12/31/2010	9.5%	3.33%	10 years at age 60 25 years at any age
Bridge Police Hired before 6/30/2006	8.5%	2.5%	10 years at age 60 25 years at any age* 30 years at any age 20 years at any age (actuarially reduced)
Bridge Police Hired on/after 7/1/2006 to 12/31/2010	8.5%	2.5%	10 years at age 60 25 years at any age*
Alcohol & Tobacco Control Agents (Treated as Regular Employee prior to July 1, 2007)	9.0%	3.33%[8]	25 years at any age 10 years at age 60 20 years at any age (actuarially reduced)
Judges and Court Officers Hired prior to 12/31/2010	11.5%	2.5% + 1.0%	10 years as judge/court officer at age 65 12 years as judge/court officer at age 55 18 years as judge/court officer at any age 20 years at age 50, 12 years must be as judge/court officer Age 70 (no minimum service required) 20 years at any age (actuarially reduced)
Appellate Law Clerks Hired before 7/1/2006	7.5%	2.5%	10 years as law clerk at age 65 12 years as law clerk at age 55 18 years as law clerk at any age 20 years at age 50, 12 years must be as law clerk 20 years at any age (actuarially reduced)
Appellate Law Clerks Hired on/after 7/1/2006 to 12/31/2010	8.0%	2.5%	10 years as law clerk at age 65 12 years as law clerk at age 55 18 years as law clerk at any age 20 years at age 50, 12 years must be as law clerk 20 years at any age (actuarially reduced)

[5] If hired as peace officer before 7/1/2006, 3.33% for all service. If hired as peace officer on/after 7/1/2006, 3.33% for all creditable service as a peace officer.
[6] A contribution rate of 8.5% was paid prior to July 1, 2003.
[7] An accrual rate of 3.0% applies to service before 7/1/2003. A contribution rate of 8.5% was paid prior to 7/1/2003.
[8] If hired on or before 6/30/2007, 3.33% accrual rate applies to all service. If hired on/after 7/1/2007, 2.5% accrual rate applies to all years prior to 7/1/2007, and a 3.33% accrual rate for ATC service after 7/1/2007.

Category	Contribution Rate	Accrual Rate	Retirement Eligibility
Governor, Lt. Governor, Legislators Hired prior to 12/31/2010	11.5%	2.5% + 1.0%	12 years as official at age 55 16 years as official at any age 20 years at age 50, 12 years must be as official
Treasurer Hired prior to 12/31/2010	7.5%	2.5% + 1.0%	12 years as official at age 55 16 years as official at any age 20 years at age 50, 12 years must be as official
Clerk & Secretary and Sergeant-at-Arms of House & Senate Hired prior to 12/31/2010	9.5%	2.5% + 1.0%	12 years as official at age 55 16 years as official at any age 20 years at age 50, 12 years must be as official

* At least 10 years of service must have been in position prior to retirement.

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Appendix: Exhibit B

Defined Benefit Reforms

Act 75 of the 2005 Regular Legislative Session

Applies to rank and file employees who are hired on/after July 1, 2006. (Those hired before this date that terminate employment but leave their contributions in LASERS and are rehired on or after July 1, 2006 are not affected by Act 75)

Act 992 of the 2010 Regular Legislative Session (as applied to LASERS only)

Applies to LASERS members hired on/after January 1, 2011. (Those hired before this date that terminate employment but leave their contributions in LASERS and are rehired on or after January 1, 2011 are not affected by Act 992)

Commonly Suggested Defined Benefit (DB) Reforms	Reforms Implemented at LASERS
Increase the employee contribution rate	Act 75 increased the employee contribution rate from 7.5% to 8.0% for rank and file new hires. Act 992 increased the employee contribution rate from 11.5% to 13% for new hire judges; Also increased the employee contribution rate for most new hazardous duty (HAZ Plan) employees.
Increase the period for calculation of average earnings for benefits to reduce late career earnings inflation and slightly lower benefits	Act 75 increased the period of average earnings for benefits from 3 to 5 years for all rank and file new hires. Act 992 increased the period of average earnings for benefits from 3 to 5 years for new hires in ALL LASERS membership groups, including hazardous duty.
Prorate benefits depending on the number of years a retiree spends in a particular pension group category	Existing law distinguishes benefits in different categories. For example, for hazardous duty plan members whose last 10 years before retirement were not served in a hazardous duty position, the accrual rate is 2.5% instead of 3.33%.

Commonly Suggested Defined Benefit (DB) Reforms	Reforms Implemented at LASERS
Increase eligibility requirements for retirement	Act 75 and Act 992 eliminated 2 options for retirement previously available to rank and file employees: 30 years at any age; 25 years at 55. The only retirement eligibility options for Act 75 and Act 992 rank and file employees and Act 992 Judges are 5 years at age 60 and 20 years at any age (actuarially reduced). Act 992 adjusted eligibility options for hazardous duty (HAZ Plan) members, allowing only 12 years at age 55, 25 years at any age, and 20 years at any age (actuarially reduced) retirement for new hires.
Introduce an "anti-spiking" rule that limits an annual increase in "pensionable" earnings, such as 7% plus inflation of the average earnings over the previous 2 years. Exception made for "bona-fide promotions and job changes."	Act 75 changed the anti-spiking cap for rank and file members from an increase of 25% of previous year final average compensation down to 15%. Act 992 extended the 15% anti-spiking cap for new hires in all plans.
Cap the amount of employees' earnings that can be used to calculate pensions (i.e. limit would be equal to 75% of the federal limit and indexed to inflation)	Existing law caps the amount of employees' earnings that can be used to calculate pensions at the federal limit.
Allow boards to recoup pensions from retirees convicted of a crime retroactive to the date of retirement	In Louisiana, there is no law that allows termination of pensions for misdemeanors or felonies. The Louisiana Constitution states that pension benefits shall not be diminished or impaired. However, Act 634 of 2010 allows pensions to be garnished to pay fines, penalties, or expenses of incarceration for a felony conviction related to the public employee's or elected official's office.
Permit public employees to choose a lower pension payout in exchange for a more generous Cost of Living Adjustment	Act 270 of the 2009 Regular Legislative Session allows employees to choose a retirement option with a lower pension payout in exchange for a guaranteed 2.5% Cost of Living Adjustment annually.
Do not allow compensation "padding" by using overtime to calculate final average compensation used for pension calculations	LASERS members are not allowed to use overtime in the calculation of final average compensation (legislative staff is the only exception to this rule).
Do not allow "double dipping" (when a retiree receives both an annual salary as well as a pension payment)	Primarily, LASERS rehired retirees are not allowed to receive both a full salary and full pension simultaneously. If rehired, retirees must choose one of three options – (1) Limit earnings to 50% of annual retirement benefit; (2) Repay all retirement benefits and regain membership in LASERS; (3) Suspend the retirement benefit.

LASERS
Louisiana State Employees' Retirement System

Appendix: Exhibit C

LASERS Plans and Enabling Legislation

Effective Year	Plan/Benefit
1946	System created (Act 126 of 1946)
1959	Legislative Plan created (Act 97 of 1959)
1972	Wildlife & Fisheries Plan created (Act 135 of 1972)
1975	Corrections Primary (original) (Act 373 of 1975)
1976	Judicial Plan created (Act 518 of 1976)
1986	Corrections Primary (changed) (Act 796 of 1985)
1991	DROP created (Act 14 of 1990)
1996	3-year DROP created (New DROP) (Act 1110 of 1995)
1996	Initial Benefit Option (IBO) created (Act 1110 of 1995)
1997	Bridge Police Plan created (Act 1277 of 1997)
1999	Corrections Primary (changed again) (Act 1320 of 1999)
2001	Corrections Secondary Component created (Act 746 of 2001)
2003	Wildlife & Fisheries Plan (changed) (Act 703 of 2003)
2004	Self-Directed DROP created (Act 818 of 2003)
2006	Act 75 enacted (rank-and-file members) (Act 75 of 2005)
2006	Peace Officers Plan created (Act 414 of 2007) (Act 835 of 2006)
2007	Alcohol and Tobacco Agents Plan created (Act 353 of 2007)
2009	Self-Funded COLA enacted
2011	Act 992 enacted (Act 992 of 2010)

Appendix: Exhibit D

System Snapshot of LASERS – 6/30/2010

Funded Ratio	57.7%
Membership	58,881 Active 50,842 Inactive 41,366 Retirees 2,629 DROP
Average Regular Retiree Benefit	$19,140/year
Percent of Retirees Below Poverty Threshold[1]	21.9%
Initial Unfunded Accrued Liability Balance	$1,936,750,759
Unfunded Accrued Liability (Includes IUAL)	$6,251,611,737
Benefits and Refunds Paid	$864 million
Market Rate of Return	16.1%
Actuarial Rate of Return	2.21%
Projected State Contribution (%)	22.0% (2010-2011)
Projected State Normal Cost (%) (as portion of total contribution percentage)	6.5587% (2010-2011)
Projected State Normal Cost Contribution ($)	$178 million (2010-2011)
Projected State UAL Contribution ($)	$419 million (2010-2011)

LASERS

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