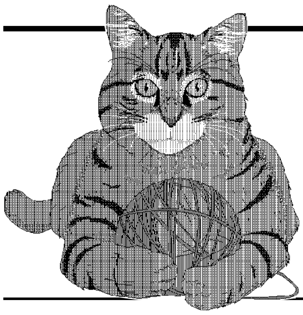


PERS NEWS

A PUBLICATION OF THE PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

ISSUE 57 April 2010

PLEASE SHARE COPIES OF THE FOLLOWING ARTICLES WITH ALL ACTIVE MEMBERS IN PERS!!

BOARD INTRODUCES LEGISLATION TO IMPLEMENT FIVE YEAR FINAL AVERAGE COMPENSATION

Senate Bill 100 by Senator Butch Gautreaux would implement five year final average compensation for all members of the retirement system. As mentioned in the January 2010 issue of PERS News, the Board reviewed many benefit changes that would help decrease plan costs. With over 260 employers participating in PERS, the Board understands that it is imperative to maintain an affordable plan for all.

Senate Bill 100 would implement five year final average compensation using a two year phase-in period. If passed, Senate Bill 100 would be effective January 1, 2011. Using a two year phase-in would result in five year final average compensation for those retiring January 1, 2013 and later. For those retiring between January 1, 2011 and December 31, 2012, the period used to calculate final average compensation shall be thirty-six months plus the number of whole reporting periods since January 1, 2011. For example, if a member retires effective April 1, 2011, then the period used to calculate his final average compensation would be 39 months (36 months + 3 months). In order to guarantee the benefits provided under the Constitution, the final average compensation used to compute a member's benefit after the effective date of this bill would not be less than the final average compensation used before the effective date of the bill.

As reported previously, our actuary has estimated that a change to five year final average compensation for all members could result in a 2.08% reduction in normal cost for Plan A and a 1.46% reduction in normal cost for Plan B once this provision is fully implemented.

The change in employee contribution rates and the implementation of five year final average compensation are changes that should be shared with all members of the system. As noted in bold, we ask all employers to share copies of the information contained in these articles with all members of PERS. Copies of our newsletters are available on our website. (www.persla.org/news.htm)

BOARD INTRODUCES LEGISLATION TO INCREASE EMPLOYEE CONTRIBUTION RATES

Senate Bill 85 by Senator Butch Gautreaux would permit the Board of Trustees to set the employee rate in Plan A within a range of 8% to 11%. This same piece of legislation would grant the Board authority to set the employee rate in Plan B within a range of 3% to 5%. As mentioned in our January 2010 PERS News, an increase in the employee contribution rate in Plan A to 11% could result in a 1.09% reduction in the plan's normal cost. An increase in the employee contribution rate in Plan B to 4% could result in a 0.75% reduction in the plan's normal cost.

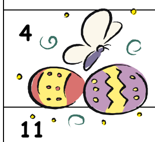
With employer rates increasing to 15.75% in Plan A and 10% in Plan B, the Board has evaluated the importance of sharing the rising costs of the plans between employees and employers. If passed, Senate Bill 85 would become effective January 1, 2011 and would give the Board flexibility to increase the employee contribution rates when plan costs are rising and lower the employee rate if costs begin to come down.

FIRST QUARTER CONTRIBUTIONS DUE APRIL 15

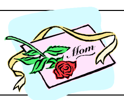
Quarterly reports for the first quarter of 2010 are due in the retirement system office on April 15, 2010. This deadline applies to both regular reports and DROP reports. R.S. 11:2014 C states that payments shall be considered delinquent when not **received** by the system within fifteen days after the close of each fiscal quarter. This statute also provides that a penalty of 1 ½% per month may be assessed on delinquent payments.

If you will be sending your report close to the deadline, you may want to utilize an overnight delivery service. Although the charges for overnight delivery do exceed first class mail delivery, it will assure that your report is received in our office by the required deadline and will likely be much less expensive than the penalty of 1 ½% of the total remittance.

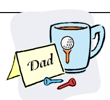
April 2010

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	Good Friday Office Closed	3
4 	5	6	7	8	9	10
11	Cut-off for 4/15 Refunds	13	14	15 4/15 Refunds mailed	16	17
18	19	20	21	22	23	24
25	26	27	Cut-off for 5/3 Refunds	29	30	

May 2010

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3 5/3 Refunds mailed	4	5	6	7	8
9 	10	11	Cut-off for 5/17 Refunds	13	14	15
16	17 5/17 Refunds mailed	18	19	20	21	22
23	24	25	Cut-off for 5/1 Refunds	27	28	29
30	31 Office closed For Memorial Day					

June 2010

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1 6/1 Refunds mailed	2	3	4	5
6	7	8	Cut-off for 6/15 Refunds	10	11	12
13	14	15 6/15 Refunds mailed	16	17	18	19
20 	21 Board Meeting	22	23	24	25	26
27	Cut-off for 7/1 Refunds	29	30			

2009 INVESTMENT RETURNS ENCOURAGING, BUT CONTRIBUTION INCREASES FOR 2011 ANTICIPATED

After a very disappointing year in 2008, our investment portfolio enjoyed a nice recovery in 2009. The negative 24% total return in 2008 was followed by a positive 21% total return in 2009.

However, it is important to note that in the world of mathematics, and actuarial math especially, +21% does not come close to offsetting a 24% decline in the previous year.

PERS assumes an annual return of 7.5% in evaluating the actuarial soundness of the plan. For example, if we use a $1,000 value of our portfolio at the end of 2007, we would expect to have a value of $1,155.63 at the end of 2009. (Yr 1 $1,000 x 1.075 = $1,075; Yr 2 $1,075 x 1.075 = $1,155.63).

However, the portfolio actually declined by about 24% in Year 1 (2008) before improving in value by about 21% in Year 2. (Yr 1 $1,000 x .76 = $760; Yr 2 $760 x 1.21 = $919.60).

This difference between the expected value and the actual value would call for an increase of 26% as of January 1, 2010. Because we use an averaging method, however, the increase necessary to account for the difference between expected values and actual values is not applied in one year. As underperformance is recognized when determining actuarial values over the next few years, upward pressure on contributions will likely result.

The likelihood of higher contribution rates is a condition faced by virtually all defined benefit plans, public and corporate, in the U.S. Our very diverse investment portfolio serves us well by reducing risk in most markets but in the extreme case of 2008 there was almost no asset class in which to seek shelter.

In summary, the 2009 results were both desirable and needed, but they fall short of offsetting 2008 results. Our Board of Trustees recognizes the upward pressure on contribution rates and has introduced legislation, as described in the first two articles in this newsletter, that would result in cost savings for the plans. The proposed changes are part of a redesign that would help maintain the health of these plans for many years to come.

MONTHLY REPORTING

Monthly submission of salary and contribution data is something that our retirement system welcomes. The more frequent reporting does have its advantages. In order to process refunds, release first retirement checks or DROP lump sum payments, all contributions must be remitted through the employee's last day of employment. With monthly reporting, these distributions are able to be processed in a more timely fashion.

If your office would like to pursue monthly reporting, simply make copies of the quarterly report form and submit these each month along with a hard copy of your member data and a disk containing this data for quick and efficient download at our office. You can contact Dainna Tully to obtain more information on monthly reporting.

ORDER FORM

Parochial Employees Retirement System

Please mail the following forms to:____

(Name of Employing Parish)

We are in: Plan "A"_____Plan "B" _____

How Many:

________Refund of Contributions _______DROP Applications

________Retirement Application _______Brochures

The following forms can be printed from our website:

- Quarterly/Monthly Reports—Regular and DROP
- Personal History Update Forms
- Personal History Forms
- Election Form for New Employees age 55 and older
- Special Tax Notice
- SSA 1945 Statement concerning Employment in a Job not covered by Social Security

CONTRIBUTION RATES FOR 2010: The quarterly report forms submitted for the first quarter of 2010 reflect a change in employer rates. In Plan A the rate is changed to 15.75%. In Plan B, the rate is changed to 10.00%. Please keep these new rates in mind when preparing your reports.

AUDIT CONFIRMATIONS: Our audit firm, Duplantier, Hrapmann, Hogan & Maher, has sent correspondence to a random sample of participating employers asking for verification of information. If you have not completed this information and returned it to Duplantier, please do so as soon as possible. Your prompt response will facilitate an efficient audit process for the retirement system.

NOTICES OF DEPOSIT: Our office has mailed all notices of deposit to participating employers. These notices reflect individual employee contribution balances as of December 31, 2009. We appreciate each employers help in distributing these notices to the members.

APPLICATIONS FOR ACTUARIAL TRANSFER: Members who have service credit in another state or statewide retirement system in Louisiana can apply to transfer that service credit once they have 6 months of service credit in PERS. The application for actuarial transfer can be found on our website, www.persla.org. The member must submit the original application to our office for processing. Please contact Dainna Tully or Becky Fontenot at (225)928-1361 with questions concerning transfers of service.

EARNABLE COMPENSATION DEFINED: Our office audits salary history at the time a member requests an estimate of benefits and again at the time of application for retirement or DROP. During some of these audits, we find that contributions have been made on forms of payments that are not allowed under our definition of earnings and earnable compensation. When ineligible payments are made, the system must return the employee contributions attributable to the ineligible wages to the member. Employer contributions made on the ineligible wages can only be returned for those wages reported within the past 12 months.

Regular wages and overtime are includable for purposes of determining earnable compensation for retirement purposes. R.S. 11:1902 (11) provides the definition cited in the previous sentence in more detail. This statute also states that earnings shall not include fees and commissions. R.S. 11:233 B provides for additional exclusions from the definition of earnable compensation. Car allowances, lump sum payments for annual and/or sick leave, bonuses, and terminal pay are some of the exclusions provided for in this statute. If you have a question regarding whether a specific type of payment is subject to retirement withholding, please contact Dainna Tully or Becky Fontenot at (225)928-1361.

REPORTING VIA DISK: Our office is grateful for those employers who remit their salary and contribution data via disk. By allowing us to directly download this information, we are able to post information more accurately in a quicker time frame. We have noticed that some employers paper clip their disk to the report. Disks can become damaged and bent when clipping to a report. It is best to either send the disk in a protective disk mailer or wrap the disk in bubble wrap if placing in an envelope. Our office also accepts data via CD.

DID YOU KNOW?

The increase in employer contributions has been felt by all plans in the state of Louisiana. Employer contribution rates for the state plans range from 20.2% - 50.9% while the statewide plans have employer contribution rates ranging from 9% - 25%.

PERSNEWS is a quarterly publication of the Parochial Employees' Retirement System of Louisiana, located at 7905 Wrenwood Blvd., Baton Rouge, Louisiana 70809.

☏Telephone Number (225) 928-1361 FAX Number (225) 923-0933 Website: *www.persla.org*