

MERS MESSENGER

Volume 2

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From the Director...A New “Crisis”? I Think Not

Public Pension Plans are preparing for a new “public relations” attack due to a change of accounting reporting requirements. Because employers, such as the state, school boards, and municipalities, will now report the unfunded accrued liability (UAL) for pension plans, it will appear to worsen the balance sheets for the employers. NOTHING has changed, except how the new accounting standards require the cities to report MERS UAL. MERS is 90% funded in Plan A and 97% funded in Plan B, according to the latest actuarial reports. We have never missed a payment to retirees and never plan on missing a payment in the future. However, the Governmental Accounting Standards Board (GASB), created to establish and improve standards of state and local governmental accounting

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Relatively Quiet Year in the Legislature

The 2014 Legislative session ended on June 2. It was a quiet session for Municipal Employees’ Retirement System. The Board of Trustees voted to support three pieces of legislation, and to oppose two bills.

Act 225 (HB 5) by Rep. Pearson will phase in a change in the makeup of the Board of Trustees membership over the next six years. Eventually the six members of the Board elected by the membership of the system will be three elected officials and three non-elected employees. The elections held in 2016, 2017, and 2020 will require that the candidate for the Board to be an elected official of a member municipality. In 2015, 2018, and 2019 the candidate cannot be an elected official in order to qualify to run for the Board. The Act further provides that no more than two Board members from one employer may serve on the Board. The objective was to have greater diversity on the Board. This law also permits the President of the LMA who is an ex-officio member of the Board to designate a representative.

Act 142 (HB 23) by Rep. Pearson makes technical corrections in Tier 2, applicable only to those employees hired after January 1, 2013, the changes do not affect any substantive aspects of the plan. The other part of the Act changes the way expenses are paid and allocated between Plan A and Plan B, which will aid in accounting and auditing of the funds.

Finally, Act 320 (HB 87) by Representative Danahay allows the Vinton Power Authority, which is a member

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Direct Deposit

Direct Deposits are guaranteed to be in your bank or credit union on the first business day of the month. Be aware that if the first falls on a Saturday, Sunday, or holiday, funds may not be available until the following business day. In these cases, please contact your financial institution directly for information on when your funds will be made available to you. That decision is made by your financial institution, not MERS. If you have not received your monthly benefit payment by the first business day of the month, please contact MERS in Baton Rouge at 225.925-4810 or toll-free at 800.820-1137.



Mike Sands Re-elected to Board of Trustees

Mike Sands, Director of Civil Service and Fire and Police Pay Plan Administrator for the City/Parish of Lafayette, was re-elected to a six year term on the Board of Trustees for MERS. Mr. Sands expressed appreciation to the members of MERS for the confidence shown in his re-election and stated:

“After 33 years of work with local government and utility pay plans, I know the defined benefit plans are critical in retaining qualified employees. In recent years the experience of operating the plan under current economic conditions has brought many challenges, but I believe employers and employees are willing to support efforts to make necessary changes to make the systems work.”

MERS congratulates Mr. Sands on his re-election.

STOP PAYMENT FEES

The Board of Trustees has passed a policy to charge \$35.00 for all stop payments on paper checks that are either lost in the mail, sent to the wrong address due to the member not updating their information, or for any reason the check did not get to the member. **Direct deposit is available for all retirement benefits.** Your benefit is deposited directly in your bank account on the first business day of each month. You may contact our office or go to our website to complete the proper form to begin direct deposit.



CALCULATION FEES

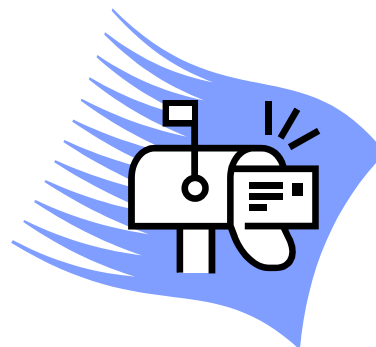
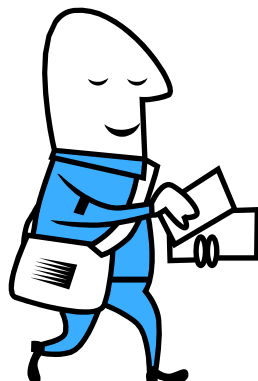
Fees will be assessed for work on individual accounts. As more members are requesting individual calculations, it has put more demands on staff's time that takes away from time spent for the organization as a whole. It was felt that if individual calculations are needed then that individual should bear the cost for the time spent. The following fee schedule has been instituted:

	First Request	2 nd Request
Repayment of Refund Invoice	50.00	100.00 thereafter
Transfer Calculation	50.00	50.00 thereafter
Military Purchase	N/C	N/C
Estimate (Must be submitted 2 months prior to effective date)	N/C	50.00 – 2 nd Request 100.00 thereafter
Estimate Expedited (calculated within 30 days)	50.00	50.00 additional
Purchase of Prior Service	N/C	N/C
Service Credit – Act 59	150.00	100.00

Our office is presently working on a benefits calculator that will be on our website hopefully by January 2015. This will allow members to go online and enter their information to receive an immediate estimate of retirement benefits. We encourage everyone to use this calculator when it becomes available and only request written estimates from our office when you are approximately 2 – 4 months from entering DROP or retiring.

MEMBER STATEMENTS

Member statements with contribution balances through June 30, 2014 were mailed last month. Many statements have been returned by the post office due to incorrect addresses. It is very important that you keep the retirement system updated with current information. If you have not received your statement yet, then call the retirement system office with your current mailing address.



Earnings

The definition of “earnings” in LA R.S. 11:1732 means the full amount of compensation earned by a member for service rendered as an employee, excluding bonuses or fees paid in excess of regular salary or retainer, overtime pay, and payments relative to termination of employment including, but not limited to, accrued sick or annual leave and severance pay.

ALL MEMBERS

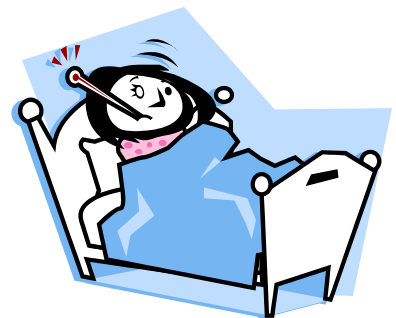
EARNINGS	EARNINGS ARE NOT
Regular Wages	Overtime
Holiday Pay	Workmen’s Compensation
Vacation Pay	Lump Sum Vacation or Sick Leave
Sick Pay	Bonuses

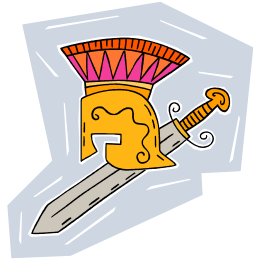
MARSHALS & DEPUTY MARSHALS ONLY

EARNINGS	EARNINGS ARE NOT
Regular Wages	Overtime
Holiday Pay	Workmen’s Compensation
Vacation Pay	Lump Sum Vacation or Sick Leave
Sick Pay	Bonuses
Fees for service of civil papers & Commissions received as a result of sales & garnishments pursuant to R.S. 13:5807	Taxable Vehicle Allowance <u>(Except for Marshals & Deputy Marshals of Bossier City or Ruston that were members on 6/30/2003)</u>
Supplemental Salary from State of LA	
Taxable Vehicle Allowance – <u>Only Marshals & Deputy Marshals of Bossier City or Ruston that were members on 6/30/03</u>	

Overtime is not considered contributable earnings and should not be reported.

Holiday, vacation, and sick pay are considered contributable earnings and should be reported, unless the member terminates employment for whatever reason and receives a lump sum payment.





DROP Is a Two-Edged Sword

Deferred Retirement Option Program can be a very useful tool in a member's retirement planning, but it can also lead to disastrous consequences. The recent controversy in the State Police Retirement System highlights the potential dangers inherent in the DROP. In the State Police, Capt. Edmonson was eligible to retire, therefore, eligible to enter DROP, which he did. After making the irrevocable decision to enter DROP, Captain Edmonson was promoted to COL. Edmonson, at an increase in pay of 40%. Once he entered DROP, his retirement benefit was established and fixed at the rate of a captain's pay, and he would not have received the benefit of the higher salary after his promotion.

DROP is designed to allow a member to bank three years of retirement benefits while working and drawing a salary. Once a member is eligible to retire, having worked the requisite number of years at the appropriate age, he can enter DROP. While participating in DROP the member continues to work and earns a paycheck from his employer and stops paying contributions to the retirement system. The retirement system creates a DROP account for the member and deposits his retirement benefit into that account each month. The member may enter DROP at any time the member is eligible to start normal retirement and remain in DROP for up to three years. The DROP account will not earn interest while the member is participating in the program, but will after completion of the DROP term. DROP accounts are placed with LAMP and earn interest. While on deposit with LAMP, the DROP account can never lose money.

Once the member completes his participation in DROP, the funds remain in the member's account until termination from employment. Once fully terminated from employment the member can leave the money on account at LAMP, roll the funds into an IRA, or withdraw part or all of the account. If the funds are rolled over, the member may lose the state income tax exemption offered to retirees. As long as the funds remain with LAMP, the funds are invested in a money market account, which earns interest and can never lose any principle. Money markets are paying a low interest rate now, as are all fixed income investments.

The important lesson to learn from all of this is that DROP is not always a "good deal" for the employee, and depends on the timing of entry in order to fully benefit the member. The decision to enter DROP is irrevocable and should not be entered lightly, should be entered only after all factors are considered.

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of MERS, to share an employee with any other employer/member of MERS and allows that employee to combine his hours worked to meet the thirty-five hour minimum for full-time status. Each employer must contribute the employer portion to the retirement system.

The two bills opposed by the Board, one would have reduced the accrual rate for Plan A members to 2.5% and the other would have greatly restricted the types of investments in which the Board may invest, were never heard in committee.



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and financial reporting, has recently established new “reporting rules” that significantly change the method used by municipalities to report the unfunded accrued liability for public retirement systems.

This change will make public retirement systems appear to be a greater financial burden on the municipalities. GASB has also decided that the unfunded accrued liability should appear on employers (in our case municipalities) balance sheets, which will make the municipality appear less solvent, when in reality there is no new liability due from cities to the retirement system. This reporting method is similar to a family taking their mortgage payment on their house multiplying that by 12 and then multiplying that number by the number of years left on the mortgage, and then putting that number on their balance sheet as if it was all due in one year. Using a method such as this, most of us would appear bankrupt.

There is concern that people will over react to this new system of reporting the unfunded accrued liability (UAL). Constituents will call their council representatives, who will call the mayor, who will call the legislators who will demand action because “retirement systems are breaking the cities”. In reality, nothing has changed from this year to the next, except the way the UAL is reported by member cities.

The fact is the Louisiana public retirement systems, including MERS, are constitutionally mandated to be actuarially funded each year to prevent insolvency. Public retirement systems are perpetual, meaning that when one member retires, an employee takes his job and continues to pay into the retirement fund. As a result, public retirement systems can invest with a 30 or 40 year horizon rather than any particular retirement age. This minimizes dependence on the year to year volatility of the stock market unlike an individual 401K type investment and allows the system to weather a downturn in the market such as the 2008-2009 recession. The retirement fund for MERS is diversified both in the type of investments and by geography. In addition, MERS invests globally, and over the entire spectrum of various investments.

In conclusion, when you read bad economic or financial news, do not go into “panic mode”. MERS is, and will continue to be, strong financially, and your retirement check will go into your bank account each and every month when you reach retirement age just as it has for our retirees since 1955.

We are on the Web!

See us at:

www.mersla.com