

# Opening Doors to the Future

---

2014-2015 Summary Annual Financial Report

For Fiscal Years Ended June 30, 2015 and 2014

**LASERS** Benefits Louisiana.

Louisiana State Employees'  
Retirement System

A component unit of the State of Louisiana

# Letter of Transmittal

October 23, 2015

Dear Members:

It is with great pleasure that I present the Louisiana State Employees' Retirement System (LASERS) Summary Annual Report for the fiscal year ended June 30, 2015. This report provides information derived from our Comprehensive Annual Financial Report (CAFR) on the financial status of your retirement System, while highlighting changes that occurred during the year. More detailed information is provided in our CAFR, which was prepared in accordance with generally accepted accounting principles, and may be viewed on our website at [www.lasersonline.org](http://www.lasersonline.org).

Your retirement System continues to be one of the best in the nation. Over the past five years, we have added over \$3 billion to the value of our fund which exceeds \$11 billion. This fiscal year, global concerns increased volatility in the financial markets which kept our investment returns relatively flat at 1.7%. However, because the market value of assets can be volatile from one year to the next, an asset valuation method is generally used to gradually recognize gains/losses relative to the assumed rate over five years. Actuarially this equates to a gain of 10.6% which was above our target of 7.75%.

I would like to emphasize that LASERS is a long-term investor, relying on broad actuarial analysis. Our thirty year return on the actuarial value of assets, net of investment expenses, is 8.4%. Also, we continue to explore new asset allocation strategies to improve long-term returns. LASERS works closely with its investment consultant to conduct a thorough asset allocation and liability review on an annual basis. Despite continued market volatility, our investment portfolio is well positioned for the future and we will continue to make adjustments when necessary.

We look forward to providing you with outstanding and continuously improving services during the next year. My commitment to work with our stakeholders to protect and promote the interests of LASERS remains steadfast, as LASERS Benefits Louisiana.

Sincerely,



Cindy Rougeou  
Executive Director



Cindy Rougeou  
Executive Director

## 2015 Board of Trustees



### Top row, left to right:

Ben Huxen, *Designee for Commissioner of Administration*  
Lori Pierce, *Elected Active Member*  
Barbara McManus, *Elected Retired Member*  
Thomas Bickham, *Chair, Elected Active Member*

### Bottom row, left to right:

Janice Lansing, *Vice Chair, Elected Active Member*  
Shannon Templet, *Elected Active Member*  
Connie Carlton, *Elected Retired Member*  
Beverly Hodges, *Elected Active Member*

### Individual photos, left to right:

Judge William Kleinpeter, *Elected Active Member*  
Kathy Singleton, *Elected Retired Member*  
Senator Elbert Guillory, *Chair, Senate Committee on Retirement*  
Honorable John Kennedy, *State Treasurer*  
Commissioner Kristy Nichols, *Division of Administration*  
Representative Kevin Pearson, *Chair, House Committee on Retirement*

Volatility in the financial markets is the primary reason for the decrease in Fiduciary Net Position between 2015 and 2014. Employer and employee contributions to the System increased between 2015 and 2014 likely as a result of an increase in the employer contribution rate. Refunds and transfers out of the System decreased because the State completed its privatization of several state agencies which caused refunds to increase in 2014 and 2013. Retirement benefits increased because of an increase in the number of retirees and the higher average benefit of newer retirees. The *Statements of Fiduciary Net Position* present LASERS financial position as of June 30, 2015, 2014, and 2013 by reporting the System's assets, liabilities, and resultant net position restricted for the payment of pension benefits. The *Statements of Changes in Fiduciary Net Position* summarize LASERS results of operations for the same periods by reporting the additions to and deductions from fiduciary net position.

## Condensed Comparative Statements of Fiduciary Net Position

	2015	2014	2013
Cash and Cash Equivalents	\$ 72,437,860	\$ 77,729,832	\$ 62,005,498
Receivables	146,123,581	111,571,052	106,101,183
Investments	11,290,535,450	11,506,396,982	10,228,944,629
Securities Lending Cash Collateral Held <sup>1</sup>	1,063,660,300	1,107,047,506	963,415,924
Capital Assets	4,304,276	5,127,676	6,373,829
<b>Total Assets</b>	<b>\$ 12,577,061,467</b>	<b>\$ 12,807,873,048</b>	<b>\$ 11,366,841,063</b>
Accounts Payable & Other Liabilities	97,056,621	73,245,876	67,756,826
Securities Lending Obligations <sup>1</sup>	1,064,853,920	1,109,773,746	971,485,886
<b>Total Liabilities</b>	<b>\$ 1,161,910,541</b>	<b>\$ 1,183,019,622</b>	<b>\$ 1,039,242,712</b>
<b>Net Position Restricted for Pensions</b>	<b>\$ 11,415,150,926</b>	<b>\$ 11,624,853,426</b>	<b>\$ 10,327,598,351</b>

## Condensed Comparative Statements of Changes in Fiduciary Net Position

	2015	2014	2013
Employer Contributions	\$ 726,678,134	\$ 615,164,022	\$ 649,029,708
Employee Contributions	153,281,097	152,993,052	173,357,802
Net Investment Income	152,809,130	1,770,521,381	1,104,747,865
Other Income	12,928,989	20,810,679	33,806,894
<b>Total Additions</b>	<b>\$ 1,045,697,350</b>	<b>\$ 2,559,489,134</b>	<b>\$ 1,960,942,269</b>
Retirement Benefits	1,199,079,252	1,167,477,166	1,070,410,859
Refunds and Transfers of Contributions	38,308,757	77,118,765	61,522,162
Administrative Expenses	15,877,682	14,810,539	14,258,832
Other Postemployment Benefit Expenses	940,845	1,103,488	982,754
Depreciation and Amortization Expenses	1,193,314	1,724,101	1,943,653
<b>Total Deductions</b>	<b>\$ 1,255,399,850</b>	<b>\$ 1,262,234,059</b>	<b>\$ 1,149,118,260</b>
<b>Net Increase (Decrease)</b>	<b>(209,702,500)</b>	<b>1,297,255,075</b>	<b>811,824,009</b>
<b>Net Position Beginning of Year</b>	<b>11,624,853,426</b>	<b>10,327,598,351</b>	<b>9,515,774,342</b>
<b>Net Position End of Year</b>	<b>\$ 11,415,150,926</b>	<b>\$ 11,624,853,426</b>	<b>\$ 10,327,598,351</b>

<sup>1</sup> Securities lending, or stock lending, refers to the lending of securities by one party to another. The terms of the loan will be governed by a "Securities Lending Agreement," which requires that the borrower provide the lender with collateral, in the form of cash, government securities, or a Letter of Credit of value equal to or greater than the loaned securities.

# Investment Performance

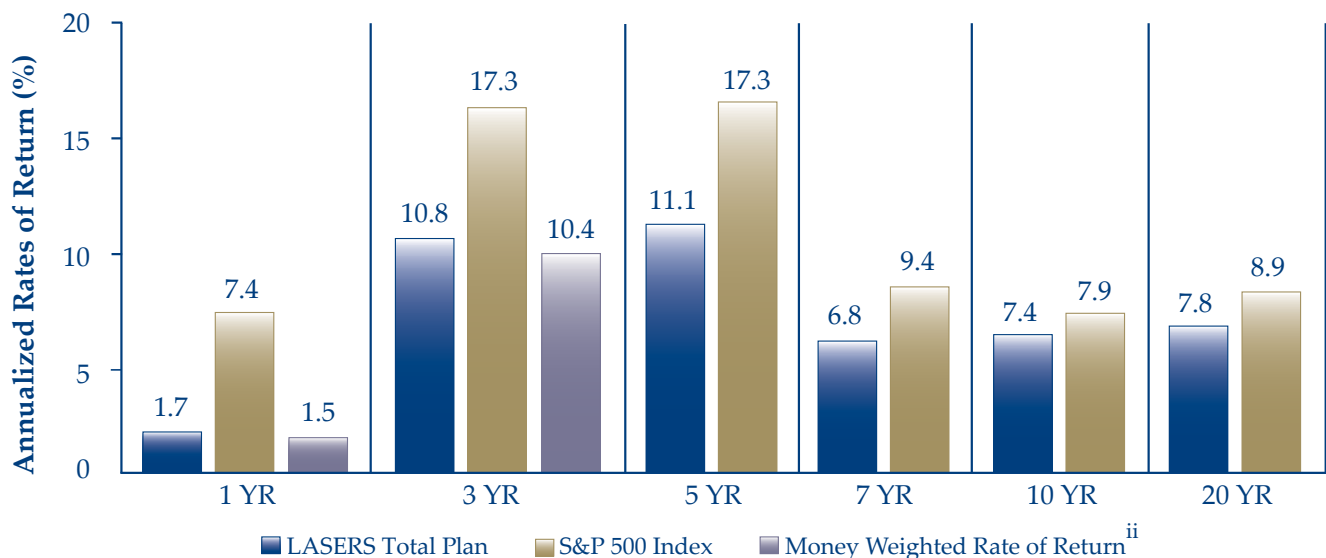
It was a year of great uncertainty in financial markets. International equities, most notably emerging market equities had the largest impact on performance. LASERS investment portfolio realized a market rate of return on investment assets of 1.7% for the fiscal year ending June 30, 2015.

LASERS compares itself against other public pension plans with market values greater than \$1 billion in the Trust Universe Comparison Service (TUCS), with a focus on long-term results. In extended time periods, LASERS ranked in the top forty-fifth percentile for both the three and five-year time periods, the thirty-fourth percentile for the seven-year period, and the twenty-first percentile for the ten-year period. As always, LASERS maintains its commitment to a broadly diversified portfolio and achieving its actuarial target rate of return of 7.75% with the least possible amount of risk. The plan is managed by seasoned professionals, and the investment portfolio is structured to optimize the risk/return trade-off. The charts illustrate our investment returns and asset allocations.

## Annualized Investment Returns<sup>i</sup>

As of June 30, 2015

Total Plan Years	1	3	5	7	10	20
LASERS Total Plan	1.7 %	10.8 %	11.1 %	6.8 %	7.4 %	7.8 %
S&P 500 Index	7.4 %	17.3 %	17.3 %	9.4 %	7.9 %	8.9 %
Money Weighted Rate of Return <sup>ii</sup>	1.5 %	10.4 %				




<sup>i</sup> Investment Performance calculated for periods over two years use monthly returns geometrically linked to calculate annualized "time-weighted" rates of return. Returns are calculated one quarter in arrears. Investment Performance does not include Self-Directed Plan and Optional Retirement Plan Funds.

<sup>ii</sup> The Money Weighted Rate of Return is calculated based on GASB 67 requirements. It is the internal rate of return on all pension plan investments net of pension plan expense and includes the Self-Directed Plan, the Optional Retirement Plan, short-term investments held at LASERS operating bank, and internal investment administrative expenses.



LASERS is proud to support Louisiana by investing in companies that impact local economies. For the fiscal year ended June 30, 2015, LASERS invested more than \$96 million in Louisiana stocks, bonds, and private equity. The following table illustrates the top ten companies that are headquartered in Louisiana in which LASERS has investments.

Company	Employees (as of 12/31/14)	Louisiana Headquarter	Market Value
 CenturyLink™	44,000	Monroe	\$5,501,366
 Entergy	13,393	New Orleans	\$ 4,265,955
 AMERISAFE	443	DeRidder	\$ 3,110,337
 ALBEMARLE®	3,625	Baton Rouge	\$ 1,630,465
 LAMAR	3,200	Baton Rouge	\$ 1,495,978
 TIDEWATER	8,500	New Orleans	\$ 1,372,210
 POOLCORP™	3,700	Covington	\$ 1,354,474
 CLECO®	1,206	Pineville	\$ 1,344,075
 First NBC	539	New Orleans	\$ 1,247,803
 HORNBECK OFFSHORE Service with Energy®	1,641	Covington	\$ 934,324

## Asset Allocation

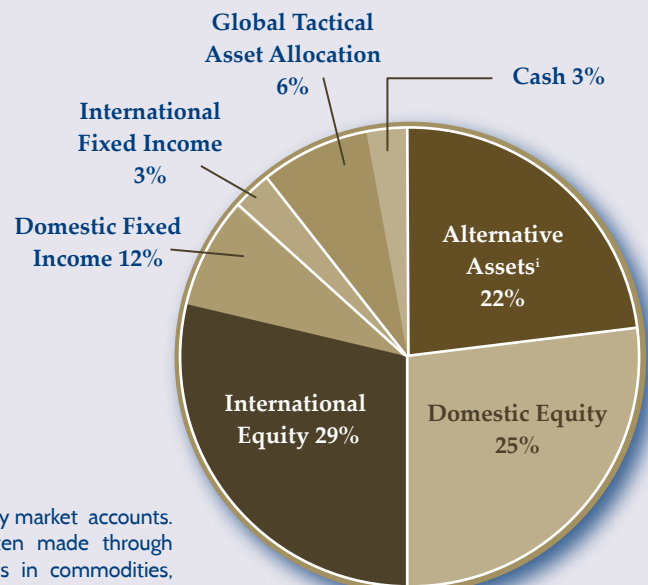
As of June 30, 2015

Asset Classes	Target	Current
Cash	0%	3%
Domestic Equity	27%	25%
International Equity	30%	29%
Domestic Fixed Income	10%	12%
International Fixed Income	2%	3%
Alternative Investments	24%	22%
Global Tactical Asset Allocation	7%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

<sup>i</sup> Traditional assets include investments such as stocks, bonds and money market accounts. Alternative assets include all non-traditional investments and are often made through hedge fund or private equity structures. Examples include investments in commodities, energy, real estate, start-up companies, and hedged strategies.

## Current Asset Allocation

As of June 30, 2015



# Membership Summary

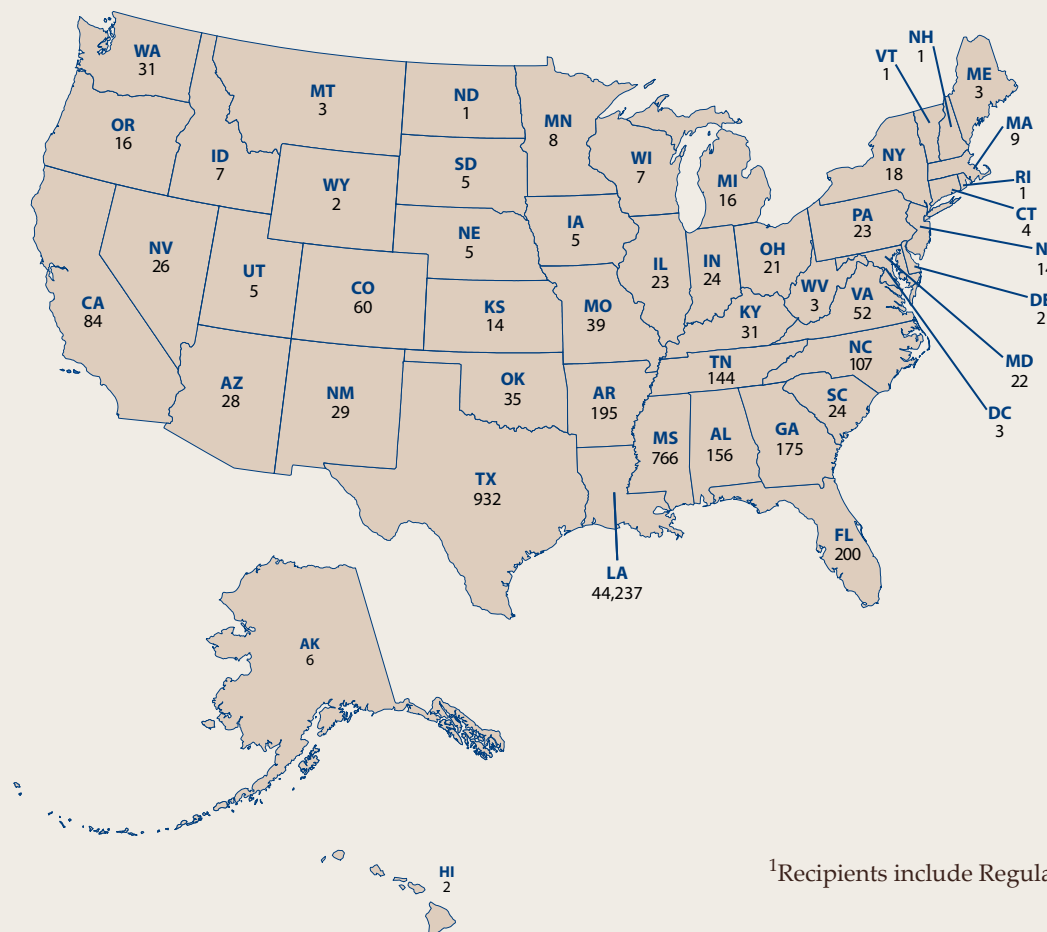
## Membership Snapshot As of June 30, 2015 Actuarial Valuation

Active Members		Total Membership	
Average Age	47.5	Active	40,194
Average Years of Service	13.8	Retirees	39,352
Average Annual Salary	\$45,919	Disability Retirees	2,457
DROP Accrual		Survivors	5,834
Average Age	57.8	Terminated-Vested	3,953
Average Annual Benefit	\$32,531	Terminated-Nonvested	52,193
Retired Members		DROP Accrual	1,682
Average Age	68.9		
Average Annual Benefit	\$23,415		

## Members Retiring During the Fiscal Year Ended June 30, 2015

Years Credited by Service Category	< 5	5-10	10-15	15-20	20-25	25-30	30+	All Members
Average Monthly Benefit	\$1,479	\$595	\$1,060	\$1,763	\$2,327	\$3,117	\$3,968	\$2,652
Final Average Compensation	\$1,972	\$3,613	\$3,654	\$4,117	\$4,602	\$4,812	\$5,294	\$4,612
Number of Retirees	1	74	285	259	368	378	594	1,959

## Location of LASERS Benefit Recipients<sup>1</sup>



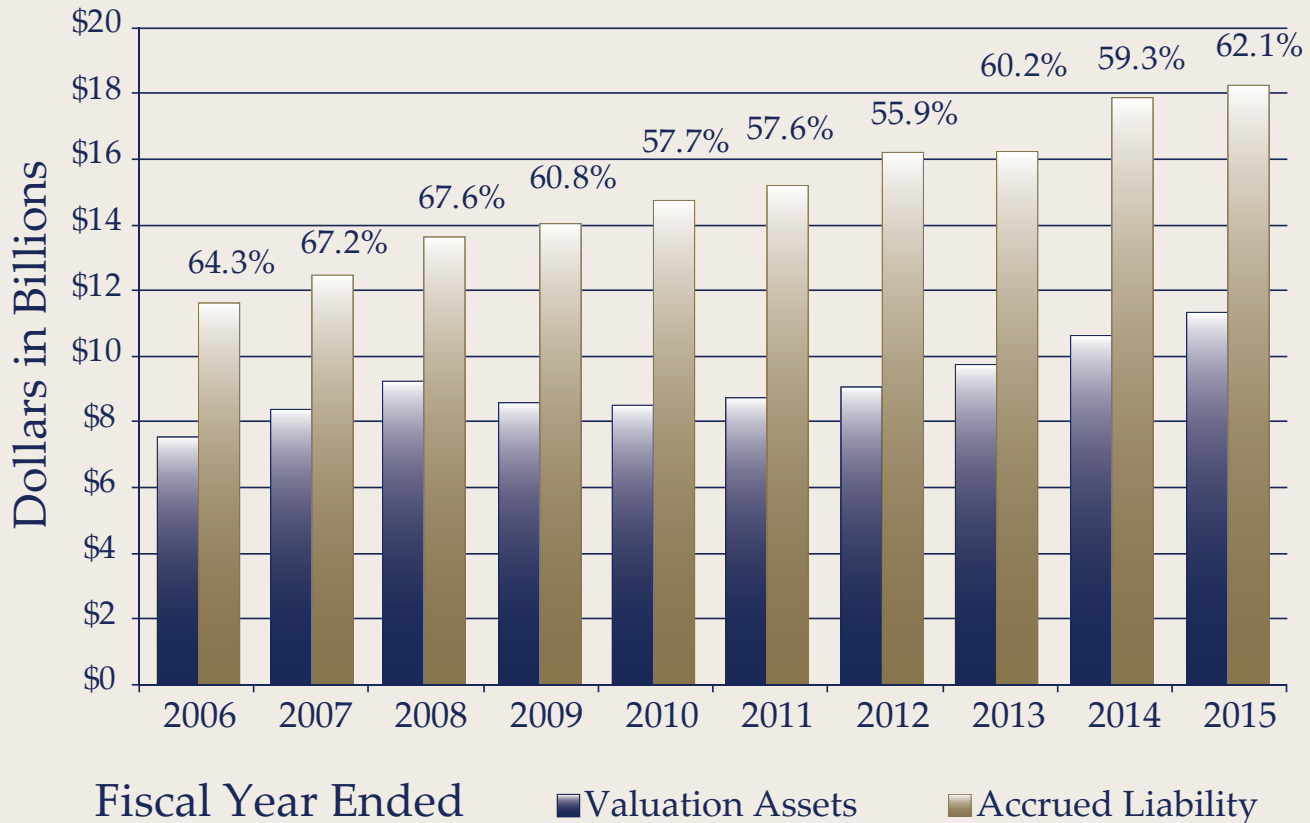
## Foreign Countries

American Samoa	1
Australia	1
Canada	3
Colombia	1
France	1
Great Britain	1
Ireland	1
Mexico	1
Panama	1
Philippines	2
Puerto Rico	1
South Korea	1
Sweden	1
Thailand	1
Virgin Islands	1
<b>TOTAL</b>	<b>18</b>

<sup>1</sup>Recipients include Regular, Disability and Survivor retirees

## Funding the Retirement Plan

Your retirement benefits are funded by employee contributions, contributions from the State of Louisiana, and cumulative investment earnings. In order to ensure your benefits are available to you, LASERS is constantly evaluating the plan's assets relative to the value of the liabilities. Accrued liabilities are liabilities which have occurred, but have not been paid. LASERS funding ratio increased from 59.3% to 62.1% at the end of fiscal year 2015, primarily a result of an investment experience gain relative to the assumed rate of 7.75%.



## Legislative Update

The 2015 Regular Session of the Louisiana Legislature resulted in the passage of only a few changes to the Plans administered by LASERS.

**Act 368**, Effective August 1, 2015, increases littering fines and distributes 50 percent of the fines to the retirement system of the law enforcement agency issuing the litter citation.

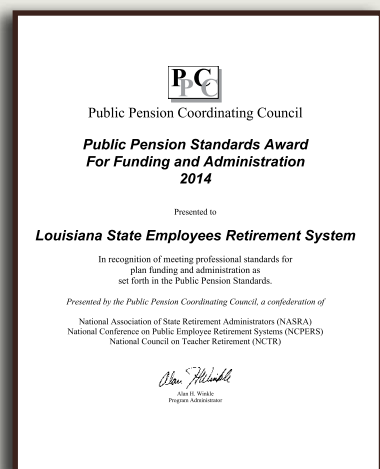
**Act 44**, Effective June 5, 2015, for surviving children of Wildlife agents in the Department of Wildlife & Fisheries, allows benefits to continue to age 23, so long as the child remains unmarried and is a full-time student.

**Act 56**, Effective June 19, 2015, appropriates about \$2.7 million to LASERS to be applied to the initial unfunded accrued liability of the System, as required by the State Constitution.



## GFOA Award

The Government Finance Officers Association of the United States of America and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to LASERS for its Popular Annual Financial Report for the fiscal year ended June 30, 2014. This prestigious national award recognizes excellence for readily understood financial reports that are less technical in nature, while providing interesting financial, actuarial, and historical information. This is the sixteenth consecutive year that LASERS has received this award.



## Public Pension Standards Award

LASERS received the Public Pension Coordinating Council's (PPCC) 2014 Public Pension Standards Award in recognition of achieving high professional standards in the areas of plan design and administration, benefits, actuarial valuations, financial reporting, investments, and disclosures to members. LASERS is proud to have received this award for the eleventh consecutive year.

## The LASERS Mission

To provide a sound retirement plan for our members through prudent management and exceptional service

## The LASERS Vision

Confidence in our service, assuring financial security for your future

## LASERS Core Values

Highest Ethical Standards  
Integrity  
Prudent Management

# LASERS

## Contact Information

**Location:** 8401 United Plaza Blvd. • Baton Rouge, LA 70809

**Mail:** P.O. Box 44213 • Baton Rouge, LA 70804-4213

**Phone:** (toll-free) 800.256.3000 • (local) 225.922.0600

**Web:** [www.lasersonline.org](http://www.lasersonline.org)

Louisiana State Employees' Retirement System (LASERS) distributed this document digitally.  
No publication costs were incurred.