



2016

Annual Investment Report

LASERS

Navigating the Financial Market

Navigating can be a challenge. Dense woods, choppy waters, bumpy roads, and cloudy skies – all of these are encountered when traveling in Louisiana. To some, these are viewed as infuriating road blocks, slowing us in reaching the ultimate destination. Yet to others, these are viewed as minor obstacles, little things to deal with while en route. And yet still there are those who see these as necessary encounters, for without them the journey would not be rewarding. Navigating the financial markets can be viewed in a similar context. Slowing growth, volatility, and negative returns are real challenges faced by financial markets in recent years. It would be unrealistic to rationally expect ever-pleasant encounters – in traveling as well as in investing. Therefore, LASERS uses a focused approach to understand the markets, set appropriate asset allocations and achieve sound long-term returns in order to provide our members with retirement stability.

CONTENTS

Board of Trustees.....	2
By the Numbers.....	4
CIO Message.....	5
Total Fund Review.....	7
Public Equity.....	15
Fixed Income.....	23
Alternatives.....	31
Global Asset Allocation.....	37
Supplemental Information.....	41



BOARD OF TRUSTEES



Active Member



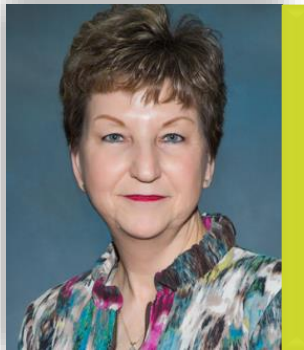
Retired Member



Ex Officio Member



Thomas Bickham
Department of Public
Safety & Corrections



Virginia Burton
Retired from
Department of Revenue



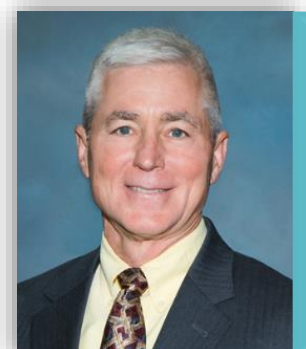
**Commissioner
Jay Dardenne**
Commissioner of
Administration



Beverly Hodges
Department of
Natural Resources



**State Treasurer
John Kennedy**
Department of the
Treasury



**Judge
William Kleinpeter**
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City Court of Port Allen



Janice Lansing
Coastal Protection &
Restoration Authority



**Senator
Barrow Peacock**
Senate Retirement
Committee Chair



**Representative
Kevin Pearson**
House Retirement
Committee Chair



Lori Pierce
Department of
the Treasury



Kathy Singleton
Retired from
Department of Social
Services



Shannon Templet
House of Representatives



Lorry Trotter
Retired from Louisiana
State University

2016 BY THE NUMBERS

145.8 THOUSAND

TOTAL MEMBERS

\$116.8 MILLION

LOUISIANA INVESTMENTS

\$10.0 BILLION

MARKET VALUE

\$3.2 BILLION

INTERNALLY MANAGED
ASSETS

\$25.4 THOUSAND

AVERAGE ANNUAL BENEFIT
RANK-AND-FILE RETIREES

8.1 PERCENT

30-YEAR ACTUARIAL
ANNUAL RETURN

\$1.2 BILLION

BENEFITS PAID



Dear Members

We have experienced another volatile fiscal year due to global concerns in financial markets. Again, international equities, most notably emerging market equities, had the largest impact on performance. For the fiscal year ending June 30, 2016, LASERS investment portfolio realized a market rate of return on investment assets of -2.4%. This year's actuarial rate of return was 5.4%.

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 at the median for both the seven-and ten-year periods. While this is LASERS stated goal, the Plan seeks to beat that, and has traditionally done so during more normal market periods.

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. Carefully underwritten and conservative assumptions for future expected returns have been adopted, and the investment portfolio is structured to optimize the risk/return trade-off.

During the fiscal year, LASERS continued to work toward its ongoing goal of comprehensively monitoring the plan's investments in relation to current market environments. Changes to the plan's asset allocation were approved at the beginning of the fiscal year and implemented throughout the year. Those changes included tweaking the overall equity allocation, and moving out of both opportunistic credit and real assets, while entering the Global Multi-Sector fixed income asset class.

The Investment Division continuously seeks to be a premier pension plan by creating, implementing, and evaluating its strategic goals and objectives. We strive to be a plan that is forward thinking, disciplined, and efficient. This includes continuously looking to lower overall investment costs while maintaining a high degree of expertise.

Going forward, we are committed to improving upon what we have already achieved and diligently working toward the future. We continue to believe that LASERS is well positioned to meet its long-term goals and objectives.

Sincerely,

Handwritten signature of Robert W. Beale.

Robert W. Beale, CFA, CAIA
Chief Investment Officer

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Total Fund Review

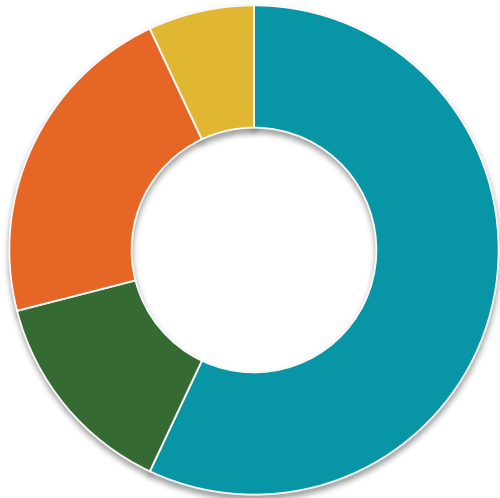
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TOTAL FUND REVIEW

As of June 30, 2016, the Total Plan had a market value of assets of \$10,047.4 million. The gross of fee return for fiscal year end was -2.4%. The three- and five-year annualized returns were 5.6% and 5.9%, respectively. The total portfolio has grown nearly \$3 billion over the last decade.

Asset Allocation

LASERS target allocation is determined after a comprehensive annual study that is conducted by internal staff in conjunction with LASERS external investment consultant, NEPC. Key inputs into the study include historical returns, relative value, and the likelihood of mean reversion. Risk budgeting and scenario analysis are tools used in the study. The primary focus of the asset allocation is to maintain a broadly diversified portfolio while achieving the target rate of return with the least possible amount of risk. Changes to the plan's asset allocation were approved at the beginning of the fiscal year and implemented throughout the year. Those changes included tweaking the overall equity allocation, and moving out of both opportunistic credit and real assets, while entering the global multi-sector fixed income asset class.



Total Equity

Target 57% / Actual 56.1%



Total Fixed Income

Target 14% / Actual 13.1%



Total Alternatives

Target 22% / Actual 22.9%



Total Global Asset Allocation

Target 7% / Actual 7.4%



Total Cash

Target 0% / Actual 0.5%

TOTAL FUND REVIEW

Asset Allocation Detail

	Market Value (\$millions)	Percent of Total Plan
Equity		
Domestic Equity	\$2,527.0	25.2%
International Equity	3,105.5	30.9%
Total Equity	\$5,632.5	56.1%
Fixed Income		
Domestic Fixed	821.3	8.2%
Emerging Market Debt	150.8	1.5%
Global Multi-Sector	342.1	3.4%
Total Fixed Income	\$1,314.2	13.1%
Alternatives		
Private Equity	1,365.4	13.6%
Absolute Return	935.5	9.3%
Total Alternatives*	\$2,308.4	23.0%
Total Global Asset Allocation	\$739.7	7.4%
Total Cash	\$41.9	0.4%
Total Funds Allocated**	\$10,047.4	100.0%

*Includes \$7.4m of Real Asset allocation that is in liquidation status

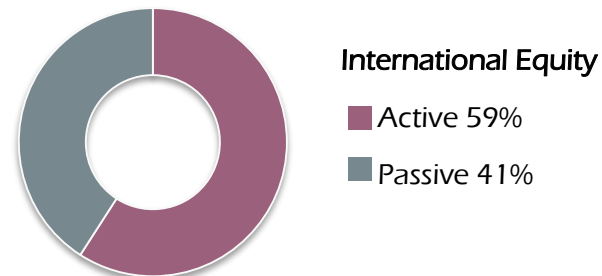
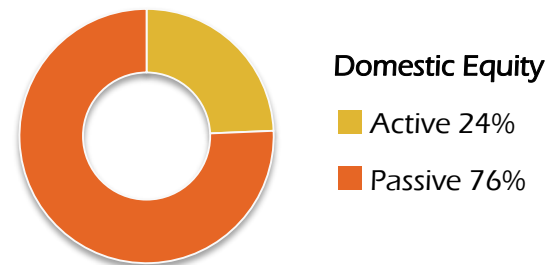
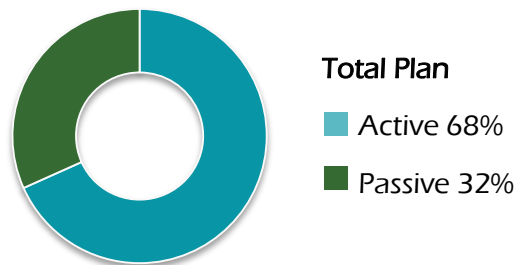
**Includes \$10.9m in Harbor police Funds

LASERS has embarked on a long-term strategic planning process with the main goal focused on increasing returns and reducing costs. To this end, LASERS has continued to utilize passive (index) management in both the domestic and international equity asset classes.

Management Style

At fiscal year end 2016, LASERS staff managed nearly one-third of the plan assets within five funds – three domestic equity (S&P 500, S&P 400, and S&P 600) and two international equity (MSCI World Ex-USA and Terror-Free) portfolios. These index funds are representative of the U.S. domestic equity market and the core international equity market. The Terror-Free fund was created in response to LA R.S. 11:316 and is representative of the international large cap market but refrains from holding companies that have facilities in a prohibited nation (Iran, North Korea, Sudan, or Syria as defined by LA R.S. 11:312).

The benefits of internally managing these index funds are two-fold: LASERS can efficiently gain exposure to the asset class while saving millions of dollars in investment management fees. During the fiscal year, LASERS was able to save over \$9 million through this cost-saving method.



TOTAL FUND REVIEW

Market Overview

The volatility which prevailed during the previous fiscal year continued throughout the current fiscal year due to global concerns in financial markets. Again this year, international equities, most notably emerging market equities, had the largest impact on performance. The MSCI Emerging Markets Index fell 11.7% for the one-year period ending June 30, 2016, and the MSCI World Ex-USA Index saw a decline of 9.4%. Domestic equities and fixed income posted modest positive returns for the period, with the S&P 500 Index returning 3.4% and the Barclay's Aggregate posting 6.0%. The Federal Reserve Bank held interest rates near zero but announced the objective of a gradual rise to approximately 2% by 2018. This was driven by further growth in the labor market, wage growth, declining resource supplies and anticipated increases in energy prices.

The fiscal year opened with concerns around a potential "Grexit", Greece exiting from the Eurozone, as well as a slow-down in China's import growth that caused ripple effects in both emerging and developed markets. January through mid-February was marked by sharp declines in part due to low oil prices and a steep slow-down in merger and acquisition activity. And then came "Brexit", the United Kingdom's decision by vote on June 23 to leave the European Union. This triggered a \$3 trillion loss in global markets over two trading days. Stocks bounced back by the third trading day as investors were taking advantage of the ability to buy cheaply. The fiscal year closed with the consensus agreeing that volatility would continue as "Brexit" further developed.

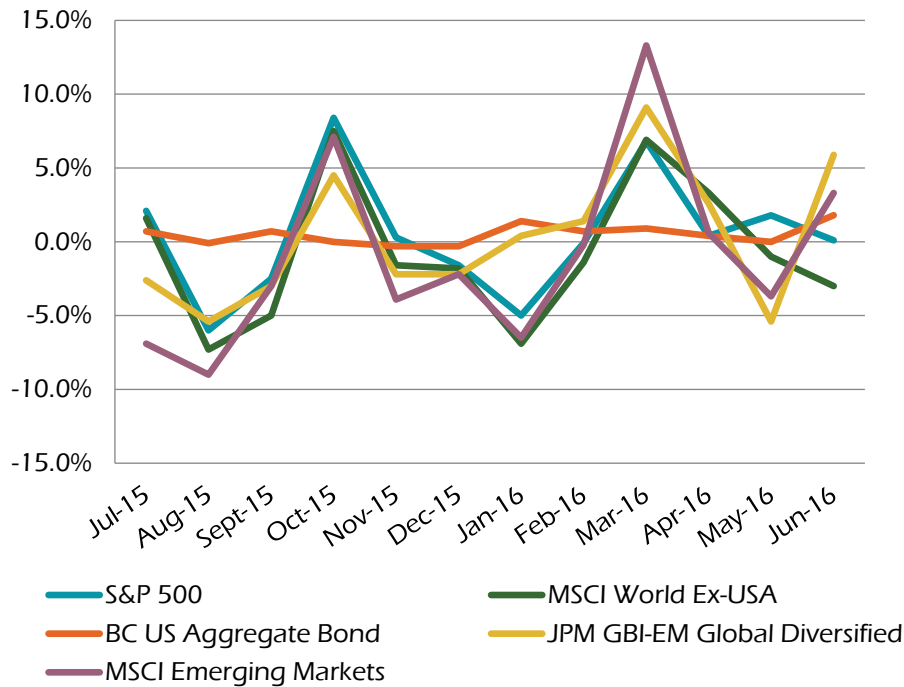
Performance

For the fiscal year ending June 30, 2016, the total plan returned -2.4%. Domestic fixed income and global asset allocation produced positive returns, while domestic equity was flat. Both alternatives and international equity yielded negative returns.

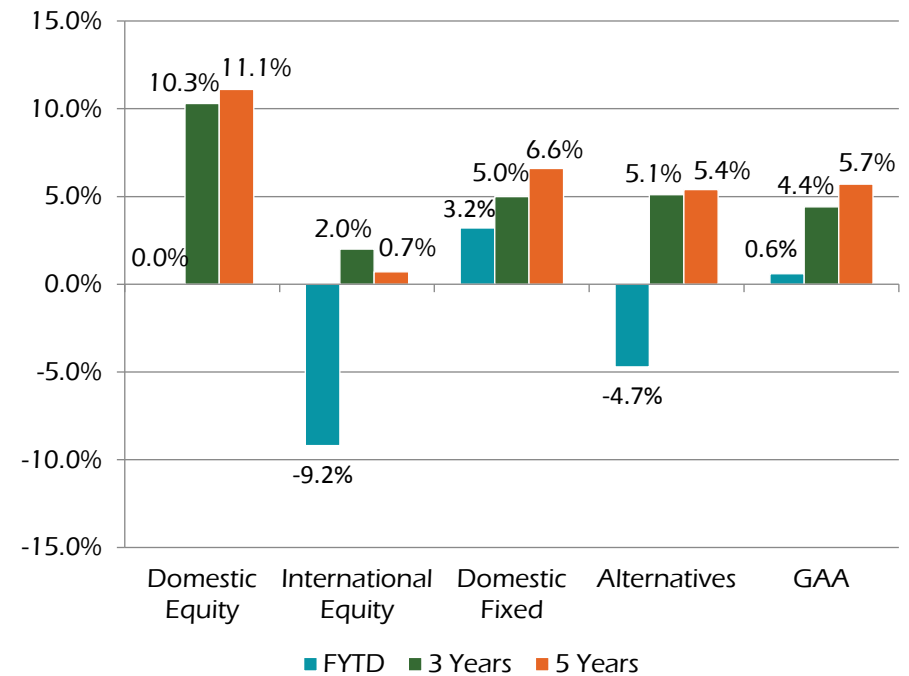
LASERS aims to have the total plan meet or exceed the Allocation Index return and the Policy Index return. The Allocation Index return measures the success of the Plan's current allocation, or active management, whereas the Policy Index return measures the success of the plan's target allocation. LASERS accomplished this goal for the five-year time period but fell short in both the one- and three-year time periods, given the high level of volatility present during the last two fiscal years.

To that regard, the Sortino ratio is used to analyze the volatility in LASERS portfolio. The Sortino ratio measures the risk-adjusted return of an individual portfolio by calculating excess return per unit of risk, with downside volatility as the measure of risk. As of fiscal year end 2016, LASERS ten-year Sortino ranked above median, suggesting that the Plan has over time achieved an appropriate risk/return profile.

Major Indices – Fiscal Year Performance



LASERS Asset Classes – Fiscal Year End Returns



Ranking Against Peers

LASERS uses Trust Universe Comparison Services (TUCS) rankings to compare itself to a universe of large pension plans to help gauge performance. TUCS provides a universe comparison of market returns for the larger public pension plans in the United States. The -2.4% return for the 2015-2016 fiscal year placed LASERS ranking in the ninety-sixth percentile of other plans with assets exceeding \$1 billion. LASERS larger allocation to international equity and zero allocation to real estate contributed to this ranking. However, in the more meaningful, longer-term seven- and ten-year periods, LASERS ranked at the median. While this is LASERS stated goal, the Plan seeks to beat that, and has traditionally done so during more normal market periods.

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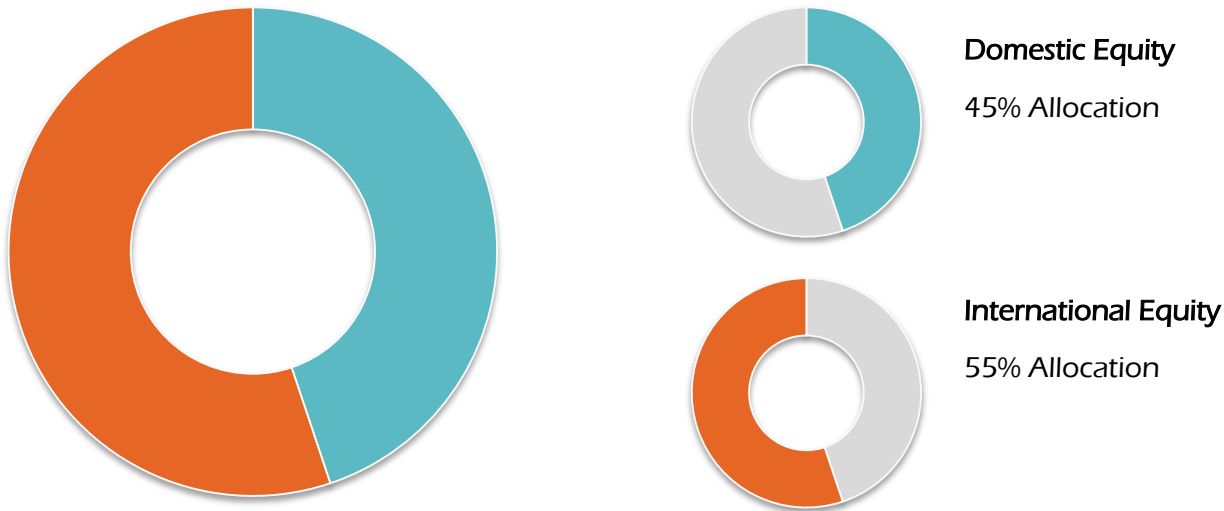


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PUBLIC EQUITY

As of June 30, 2016, the Public Equity portfolio had a market value of \$5,632.5 million, representing 56.1% of the Total Plan. Within the Public Equity Program, \$2,527.0 million, or 25.2% of the Total Plan, was allocated to domestic equity, and \$3,105.5 million, or 30.9% of the Total Plan, was allocated to international equity.

Equity Allocation



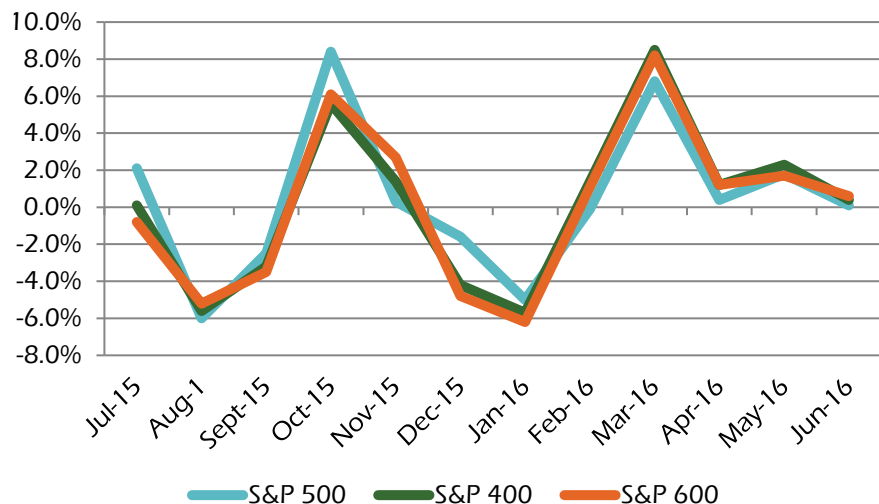
Domestic Equity Market Overview

The fiscal year ended 2016 was a story of two very different markets: a severe market correction from June 30, 2015 through February 11, 2016, followed by a powerful rally off of the February bottom through fiscal year end. A bull market remained intact for the seventh straight year, although several long-standing worries lingered. Nervousness about the number and frequency of future rate hikes, collapsing oil prices, terrorism, global economic slowing (particularly in China), and stretched equity valuations (especially in Health Care and Social Media) provided the perfect backdrop for a first fiscal quarter drop. Stocks in the Energy sector, followed by Materials, Health Care, and Industrials led the decline. Encouraged by better-than-feared earnings and some apparent stabilization in commodity prices, the second fiscal quarter recovered part of Q1 losses. In mid-December, despite weakness in GDP growth, the Federal Reserve increased rates a nominal 0.25%, signaling confidence in the U.S. economic position. While the market

PUBLIC EQUITY

seemed to take the long-anticipated rate hike in stride, the calm did not last long. Entering January, the market rolled over hard as investors worried that the Federal Reserve had raised rates just when the global slowdown was dragging down the domestic economy. Coincident with this concern was the continuation of a massive correction in Health Care. Then, on February 11, equity markets shot upward dramatically, led by Energy, Industrials, and Health Care, much of the same group that had previously dragged it down. The surprise Brexit vote occurred at the end of June and shook the market for two days but that was nearly erased by fiscal year end.

Domestic Equity During Fiscal Year



Domestic Equity Results

At the beginning of the fiscal year, the domestic equity target allocation was 27%, consisting of 15% to Large Cap and 12% to Small/Mid Cap. The allocations to both Large Cap and Small Cap were lowered by 1% at the beginning of the fiscal year, making the total allocation to domestic equity 25%. The internally-managed (passive) domestic equity program totaled \$1,911.8 million, and represented nearly 76% of the domestic equity portfolio at the end of the fiscal year. There are three domestic equity portfolios that are actively managed by external managers.

The total domestic equity allocation was flat for the fiscal year. The top three performing sectors were Financials, Information Technology, and Industrials.

Domestic Equity – Allocation & Returns

	Target Allocation	Actual Allocation	FYTD Return
Large Cap	14.0%	14.1%	2.3%
Mid Cap	4.0%	4.0%	1.6%
Small Cap	7.0%	7.0%	-4.9%
TOTAL	25.0%	25.1%	0.0%

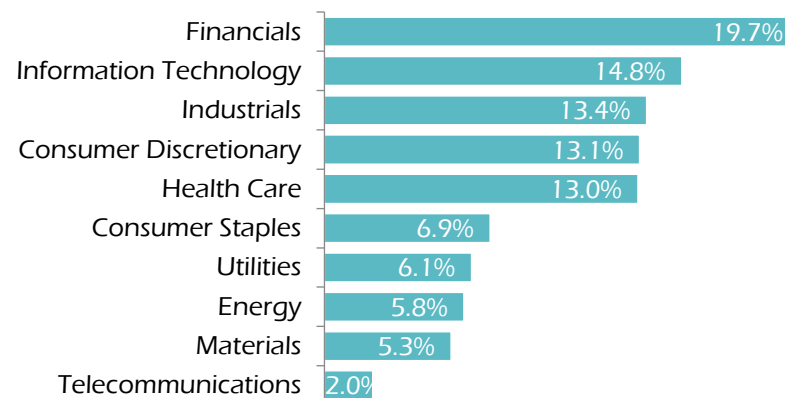
Domestic Equity Managers

Manager	Mkt Value (\$M)	Benchmark
Aronson Johnson & Ortiz	214.0	S&P 500 Value
Large Cap Value	\$214.0	
Rice Hall James	256.5	S&P 600 Growth
Small Cap Growth	\$256.5	
LSV Asset Management	144.7	S&P 600 Value
Small Cap Value	\$144.7	
LASERS S&P 400 Index	403.2	S&P 400
LASERS S&P 500 Index	1,207.6	S&P 500
LASERS S&P 600 Index	301.0	S&P 600
Index Funds	\$1,911.8	
TOTAL DOMESTIC EQUITY	\$2,527.0	

Domestic Equity – Top Holdings

Security Name	Market Value
Apple Inc	\$34,358,640.00
Exxon Mobil Corp	30,474,874.00
Johnson & Johnson	29,107,148.00
Microsoft Corp	27,550,235.02
JP Morgan Chase & Co	23,537,762.04
AT&T Inc	21,778,833.83
Verizon Communications	21,208,646.24
Pfizer Inc	19,366,063.36
General Electric	18,995,032.00
Amazon.com Inc	18,176,748.00
TOTAL	\$244,553,982.49

Domestic Equity – Sector Diversification

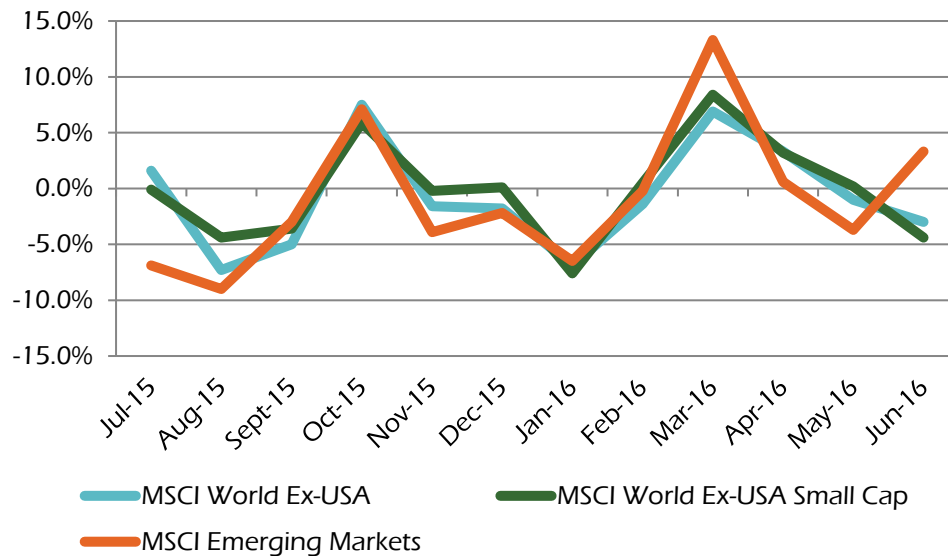


PUBLIC EQUITY

International Equity – Market Overview

It was a tough twelve months for international equity. The MSCI World Ex-USA Index fell 9.4%, and the MSCI Emerging Markets Index fell 11.3%. The fiscal year opened with markets weakening significantly in the third quarter of 2015 after the implications of unexpected Chinese renminbi devaluation reverberated across asset classes, sparking fears over global economic growth and indiscriminate selling in equities. After a partial recovery in non-commodity-linked sectors in the fourth quarter, markets again weakened in the first quarter of 2016 driven by further Chinese renminbi devaluation and the surprise Bank of Japan decision to introduce negative interest rates. However, as expectations for a Federal Reserve rate hike were pushed out further, the US dollar weakened in March 2016 which supported a partial rebound in commodity prices and emerging markets. In June 2016, the unexpected UK referendum result in favor of leaving the European Union triggered a fall in international equities at the end of a volatile quarter. Eurozone markets and the financials sector registered the most significant losses as investors worried about the potential economic and political repercussions.

International Equity During Fiscal Year



International Equity – Results

At the beginning of the fiscal year, the international equity target allocation was 30%, consisting of 15% to Large Cap, 3% to Small Cap, and 12% to Emerging Markets. The Small Cap allocation was increased by 2% at the beginning of the fiscal year, making the total allocation to international equity 32%. The internally-managed (passive) international equity program totaled \$1,270.1 million and represented 40.9% of the international equity portfolio at the end of the fiscal year. A new external manager was hired to meet the increased Small Cap allocation, bringing the fiscal year end status to five external managers actively managing seven portfolios.

The total international equity return was -9.2% for the fiscal year, with all areas of the space contributing negative returns. The top three countries in LASERS international developed markets portfolio were Japan, the United Kingdom, and Switzerland. Within the emerging markets portfolio, South Korea, Taiwan, and Hong Kong were the top three countries.

International Equity – Allocation & Returns

	Target Allocation	Actual Allocation	FYTD Return
Large Cap	15.0%	14.7%	-8.7%
Small Cap	5.0%	5.0%	-1.9%
Emerging Markets	12.0%	11.3%	-11.3%
TOTAL	32.0%	31.0%	-9.2%

International Equity Managers

Manager	Market Value (\$M)	Benchmark
Mondrian	204.9	MSCI World Ex-USA
Large Cap Value	\$204.9	
LASERS MSCI World Ex-USA Index	1,238.8	MSCI World Ex-USA
Large Cap Growth	\$1,238.8	
LASERS Terror-Free Index	31.3	MSCI World Ex-USA
Terror-Free	\$31.3	
Mondrian	204.6	MSCI World Ex-USA
Goldman Sachs	294.8	Small Cap
Small Cap	\$499.4	
City of London	324.6	MSCI World
LSV Asset Mgmt (2 portfolios)	588.2	Emerging Markets
Westwood Global	218.3	
Emerging Markets	\$1,131.1	
TOTAL	\$3,105.5	

PUBLIC EQUITY

Top 10 Developed Holdings

Security Name	Market Value
Nestle SA	31,176,141.80
Novartis AG	24,141,012.16
Glaxosmithkline Plc	18,214,882.42
BP Plc	18,046,064.35
Roche Holdings	17,691,983.16
Sanofi	17,143,372.07
SAP SE	14,210,039.96
Toyota Motor Corp	13,305,882.01
British America Tobacco	12,445,917.64
Abb Ltd	11,448,585.74
TOTAL	\$177,823,881.31

Top Countries

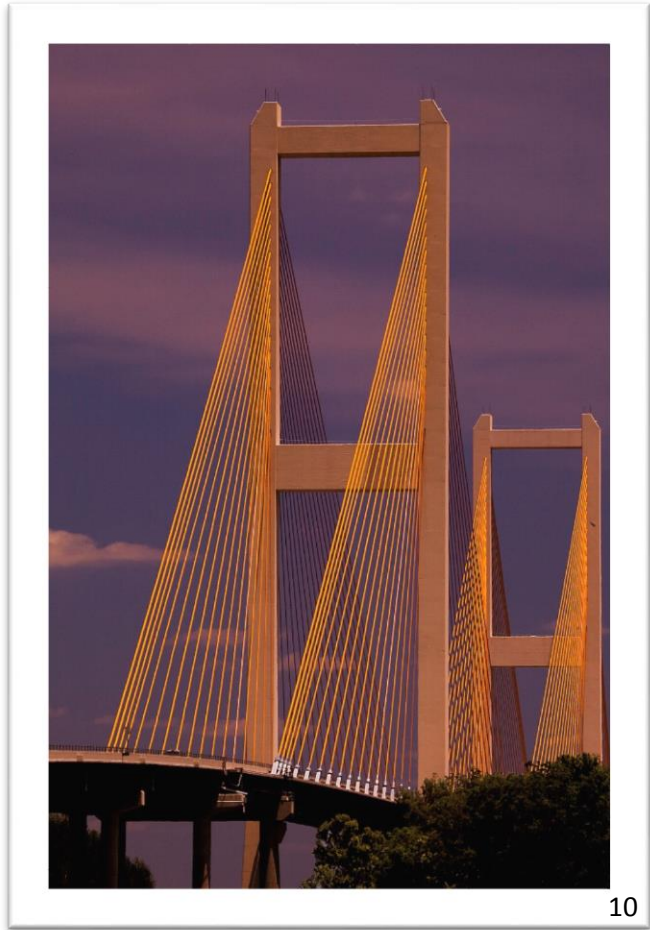
Developed Markets	Emerging Markets
Japan	South Korea
United Kingdom	Taiwan
Switzerland	Hong Kong
Canada	India
Germany	China
France	Brazil
Australia	South Africa
Netherlands	Thailand
Sweden	Mexico
Spain	Indonesia



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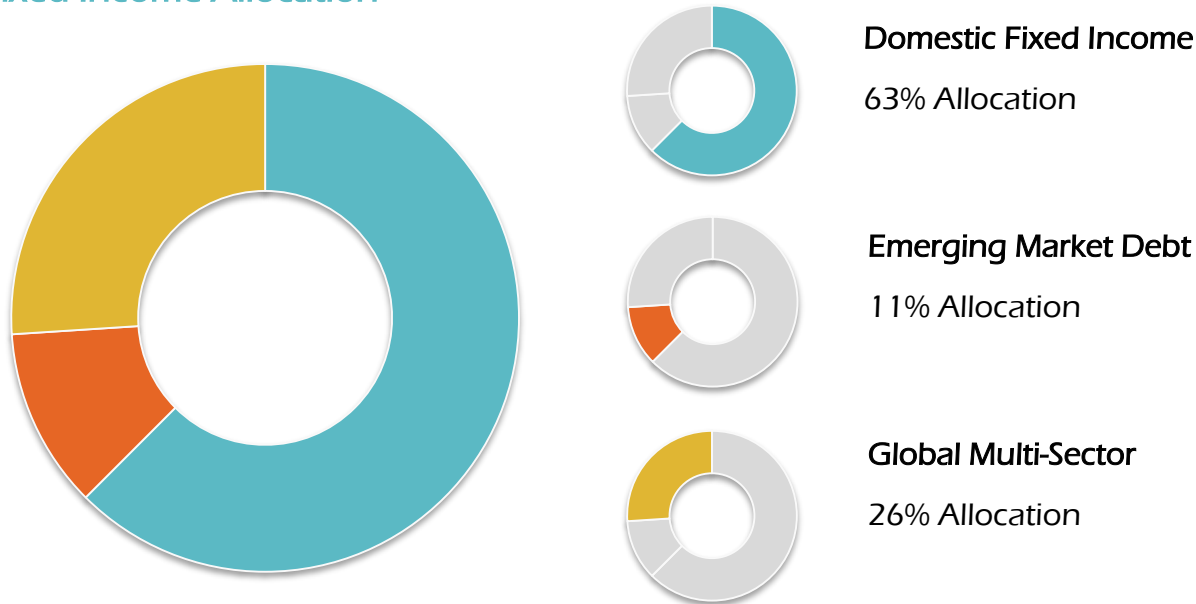
Fixed Income

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FIXED INCOME

As of June 30, 2016, the Fixed Income portfolio had a market value of assets of \$1,314.1 million, representing 13.1% of the total plan. Within the Fixed Income program, \$821.3 million, or 8.2% of the total plan, was allocated to domestic fixed income; \$150.8 million, or 1.5% of the total plan, was allocated to emerging market debt; and \$342.1 million, or 3.4% was allocated to the newly funded global multi-sector allocation.

Fixed Income Allocation



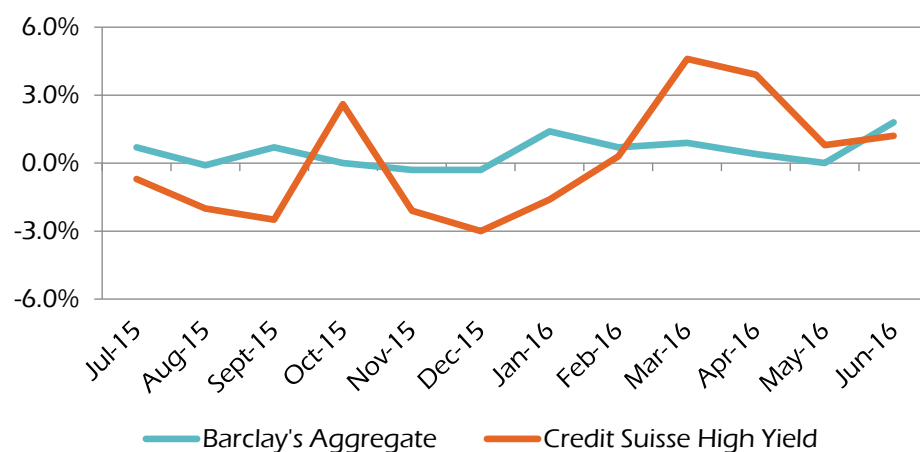
Domestic Fixed Income Market Overview

The beginning of the fiscal year was marked by significant volatility across all financial markets for varied reasons. There was evidence of slowing growth, particularly in China, contraction in the Energy sector, lower commodity prices and ugly payroll reports, which led to a weak third quarter for all asset classes. In December, the Federal Reserve increased the Fed Funds rate by 25 basis points, but with the muddled economic environment, this move caused Treasuries to rally and Corporate Bond spreads to widen substantially, creating the worst excess returns for the sector in five years. Entering 2016, interest rates began to drop sharply as a weak global economy drove investors further into the safe haven of the U.S. Treasury market. However, favorable data on domestic

FIXED INCOME

labor markets and improving consumer sentiment pushed corporate spreads tighter in March. Then, in late June, the Brexit vote and its aftermath brought about another flight to quality and increased volatility. Lower interest rates across the curve coupled with the continued improvement in credit spreads, resulted in stronger positive returns in all sectors of the fixed income markets to end the fiscal year.

Domestic Fixed Income During Fiscal Year



Domestic Fixed Income Results

At the beginning of the fiscal year, the domestic fixed income target allocation was 10%, consisting of 4% to investment grade, 4% to high yield, and 2% to opportunistic credit. The allocation to opportunistic credit was removed at the beginning of the fiscal year, making the total allocation to domestic fixed income 8%. There were four domestic fixed income managers actively managing four portfolios.

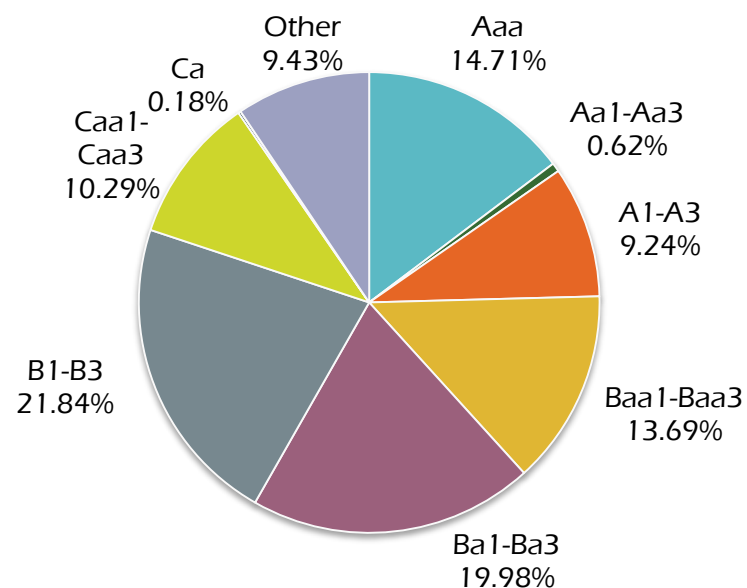
Domestic Fixed Income – Allocation & Returns

	Target Allocation	Actual Allocation	FYTD Return
Investment Grade	4.0%	4.0%	5.2%
High Yield	4.0%	4.2%	2.0%
TOTAL	8.0%	8.2%	3.2%

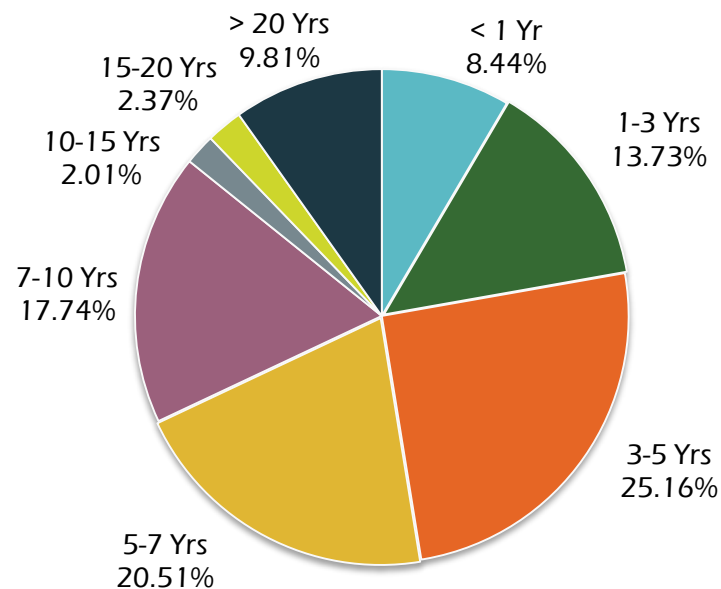
Domestic Fixed Income Managers

Manager	Mkt Value (\$M)	Benchmark
Loomis Sayles & Co	224.8	BC Aggregate
Orleans Capital	172.7	
Investment Grade	\$397.5	
J.P. Morgan	210.8	Credit Suisse High Yield
Nomura Asset Mgmt	213.0	
High Yield	\$423.8	
TOTAL	\$821.3	

Quality Allocation



Maturity Allocation



FIXED INCOME

Domestic Fixed Income – Top Holdings

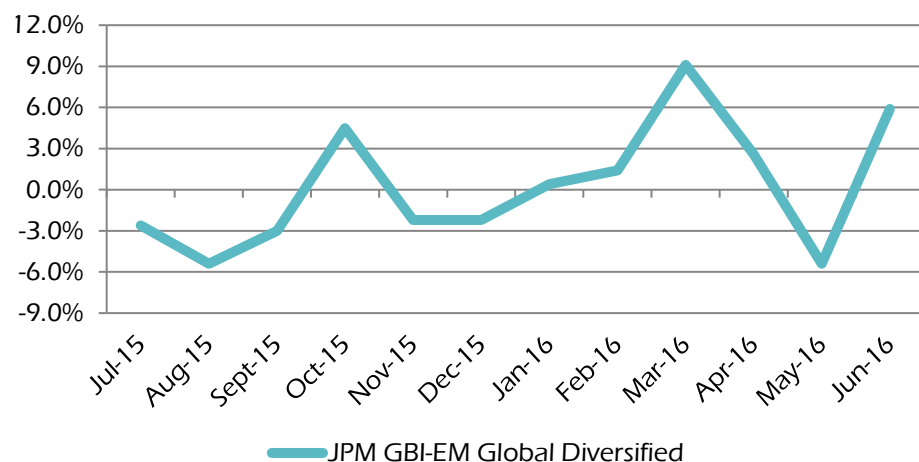
Security Name	Market Value
TBA – FNMA Pools, 3.5% 8/1/2046	\$11,456,001.70
US Treasuries, 1.375% 2/15/2044	8,190,615.36
TBA – FNMA Pools, 4.0% 8/1/2046	5,918,490.50
US Treasuries, 0.75% 2/15/2045	5,478,350.79
US Treasuries, 0.875% 3/31/2018	5,442,183.25
US Treasuries, 0.125% 7/15/2024	4,832,074.27
Amazon.com Inc, 3.80% 12/5/2024	4,478,459.48
Georgia Power Co, 4.30% 3/15/2042	4,392,177.72
Ford Motor Credit Co, 4.375% 8/6/2023	4,342,670.88
JP Morgan Chase & Co, 3.90% 7/15/2025	4,316,724.84
TOTAL	\$58,847,748.79

Emerging Market Debt – Market Overview

From the start of the fiscal year until February 2016, emerging markets were weighed down by negative sentiment around global growth expectations, which led to weak market technicals and deteriorating returns. These growth concerns combined with the strengthening US dollar, kept pressure on all sectors of emerging markets. Local currency markets, in particular, faced strong headwinds due to the reversal of capital flows.

In contrast, sentiment towards risk assets improved in late February and the outlook for emerging market debt began to brighten. This dynamic helped by a strong recovery in core bond markets and an unwind of January's general risk aversion moves in global markets. For much of the first half of 2016, over-hanging risks from the end of 2015 began to show signs of fading: Concerns around Chinese growth and capital flight related to the devaluation of the yuan subsided given stronger growth data from China. The US Federal Reserve postured a more dovish stance and stressed that the pace of rate increases would likely be very gradual given the current global environment of lower growth. Volatility in commodities prices declined, and oil prices managed to record four consecutive months of gains by end of June. At the same time, the concerns around a potential (and eventual) exit of the UK from the European Union continued to rise, and the possible negative outcomes, including a weakened UK economy, put pressure on peripheral European bond markets. As a result, global economic and political uncertainty weighed on risk markets.

EMD During Fiscal Year



Emerging Market Debt – Results

The emerging market debt allocation remained unchanged at 2% during the 2015-2016 fiscal year. The allocation is managed by Stone Harbor and is benchmarked to the J.P. Morgan GBI-EM Global Diversified Index. As of June 30, 2016, it had a market value of \$150.8 million. The portfolio had an actual allocation of 1.5% and returned 1.3% for the fiscal year.

EMD – Top Holdings

Security Name	Market Value
South Africa Govt Bonds, 10.5% 12/21/2026	\$6,584,230.32
Poland Govt Bonds, 3.25% 7/25/2025	5,897,089.05
Indonesia Treasury Bond, 8.375% 3/15/2024	5,835,931.68
Mexican Bonos, 10.0% 12/5/2024	5,752,780.14
Colombian Tes, 7.5% 8/26/2026	4,671,947.24
Brazil Notas Do Tesouro, 10.0% 1/1/2025	4,636,764.08
Brazil Letras Do Tesouro, 0.0% 1/1/2019	4,387,882.25
Russian Federal Bond – OFZ, 7.6% 4/14/2021	3,983,557.11
Indonesia Treasury Bonds, 5.625% 5/15/2023	3,906,516.18
Brazil Letras Do Tesouro, 0.0% 7/1/2018	3,451,132.00
TOTAL	\$49,107,830.05

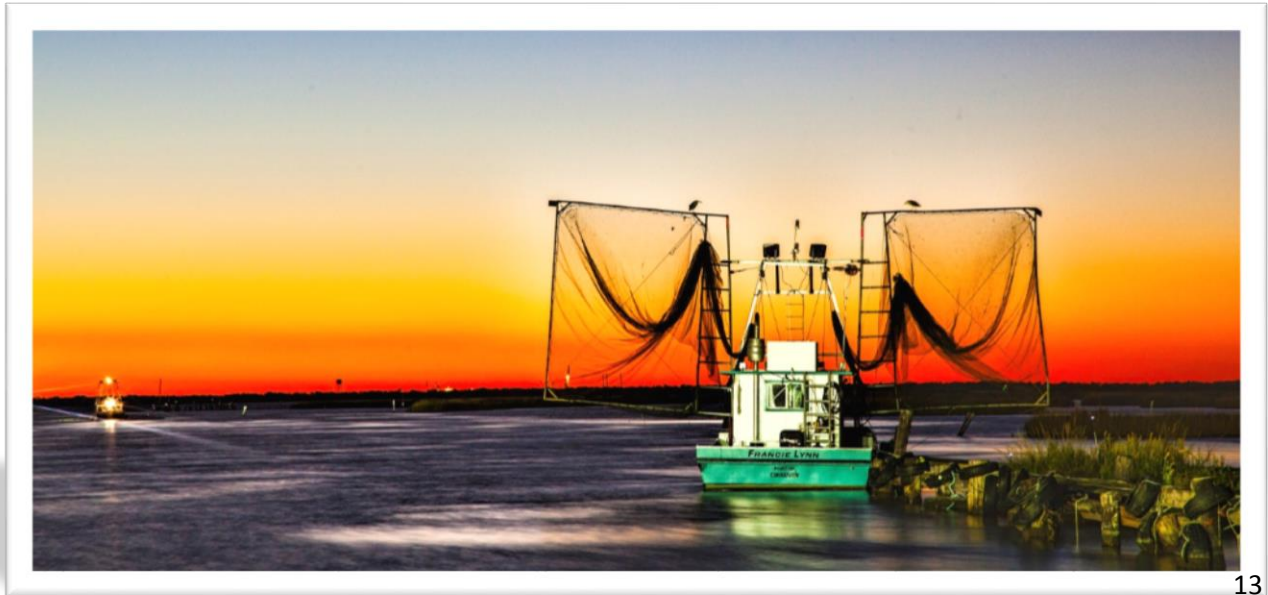
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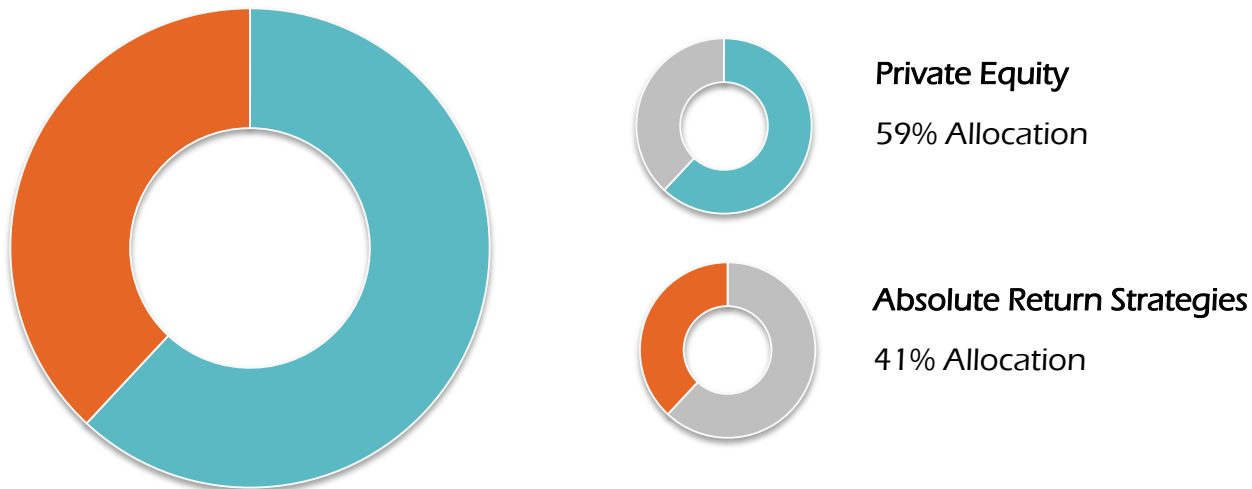
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ALTERNATIVES

As of June 30, 2016, the Alternatives portfolio had a market value of assets of \$3,048.1 million, representing 22.9% of the Total Plan. Within the Alternatives Program, \$1,365.4 million, or 13.6% of the total plan, was allocated to private equity, and \$935.5 million, or 9.3% of the total plan, was allocated to absolute return strategies. The previous allocation to real assets was liquidated during the course of the fiscal year following the asset allocation plan that was approved at the beginning of the period.

Alternatives Allocation



Private Equity

At the beginning of the fiscal year, the private equity allocation was 13%. Shortly after the period began, a 1% increase was made, making the fiscal year end private equity allocation 14%. The program returned 6.0% for the fiscal year, and there were sixty-four portfolios being managed by thirty managers.

The private equity program consists of a variety of strategies, each being utilized for their distinctive benefits to improve and diversify the portfolio as a whole. Private equity investments ideally increase diversification at the total fund level and capture higher returns associated with the illiquidity premium.

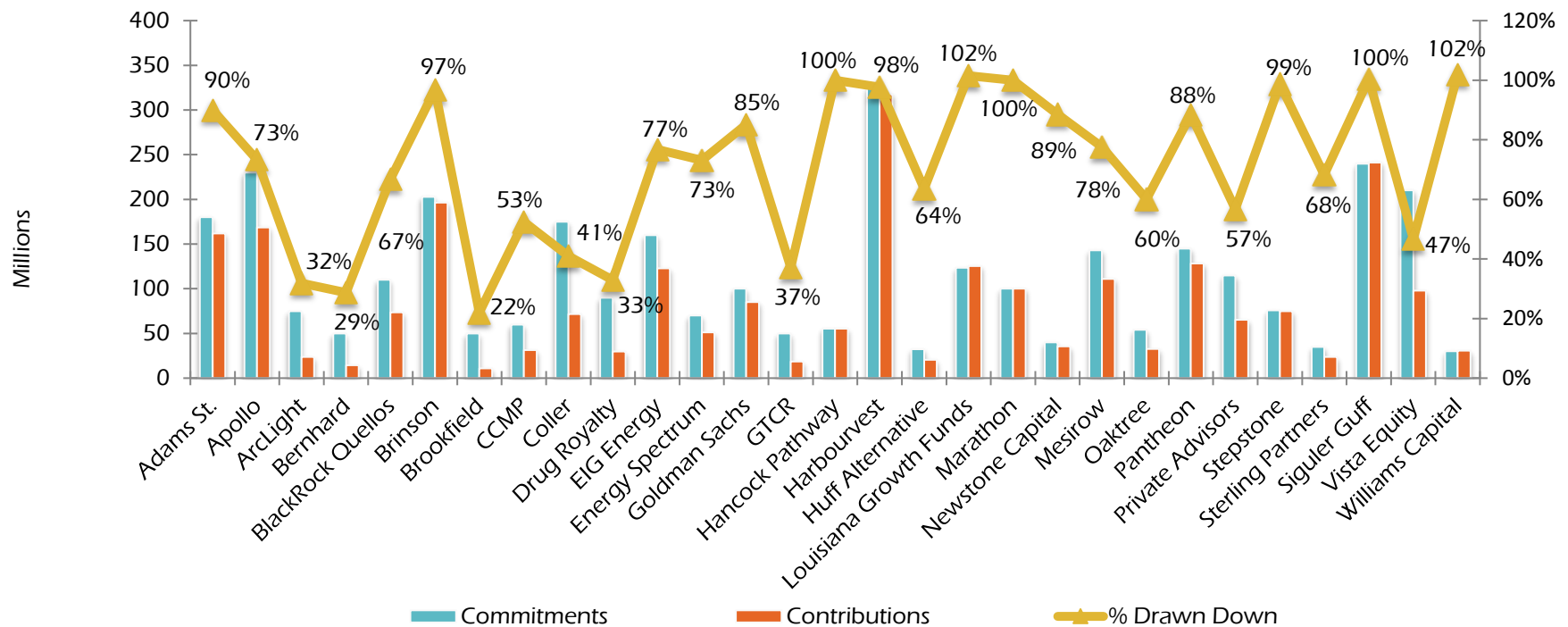
ALTERNATIVES

Private Equity Managers

Manager	Market Value (\$M)	% of PE Portfolio	Manager	Market Value (\$M)	% of PE Portfolio
Adams Street	105.5	7.7%	Louisiana Growth Funds	24.3	0.8%
AEA Investors	3.2	0.2%	Marathon	30.2	1.8%
Apollo	25.3	9.6%	Mesirow	106.9	2.2%
ArcLight Energy	16.0	1.9%	Newstone Capital	18.3	7.8%
Bernhard Capital	10.4	1.2%	Oaktree	40.9	1.3%
Brinson	12.5	0.8%	Pantheon Ventures	88.4	3.0%
Brookfield Capital	35.3	0.9%	Private Advisors	58.7	6.5%
CCMP Capital	76.9	2.6%	Q-BLK	76.1	4.3%
Coller International	5.0	5.6%	Siguler Guff	103.9	5.6%
Drug Royalty	25.6	0.4%	Stepstone	56.2	7.6%
EIG Energy	21.2	1.9%	Sterling Partners	24.3	4.1%
GTCR	21.3	1.6%	TCW Energy	32.6	1.8%
Goldman Sachs	47.4	1.6%	Vista Equity	115.3	2.4%
Hancock Pathway	0.6	3.5%	Williams Capital	11.7	0.9%
Harbourvest	29.1	0.0%			
Huff Alternative	10.4	2.1%	TOTAL	\$1,365.4	100.0%

Since LASERS began investing in private equity, commitments totaling over \$3.3 billion have been made. Cumulatively, over \$2.5 billion, or 76% of total commitments, have been invested and \$2.4 billion has been distributed back to LASERS.

Private Equity Commitments and Contributions



Absolute Return Strategies

The absolute return strategy allocation remained unchanged at 8% during the 2015-2016 fiscal year. The actual allocation on June 30, 2016 was 9.3%, and the program returned -7.1% for the period. There were seven portfolios, two of which are in liquidation, being managed by six managers.

These strategies provide LASERS with diversification and potential for increased long-term returns due to the lower correlation with the major market indices. LASERS fund of funds and multi-strategy investments allow access to top tier funds; a reduction in individual fund and manager risk; and provide industry, style, and geographic diversification.

ALTERNATIVES

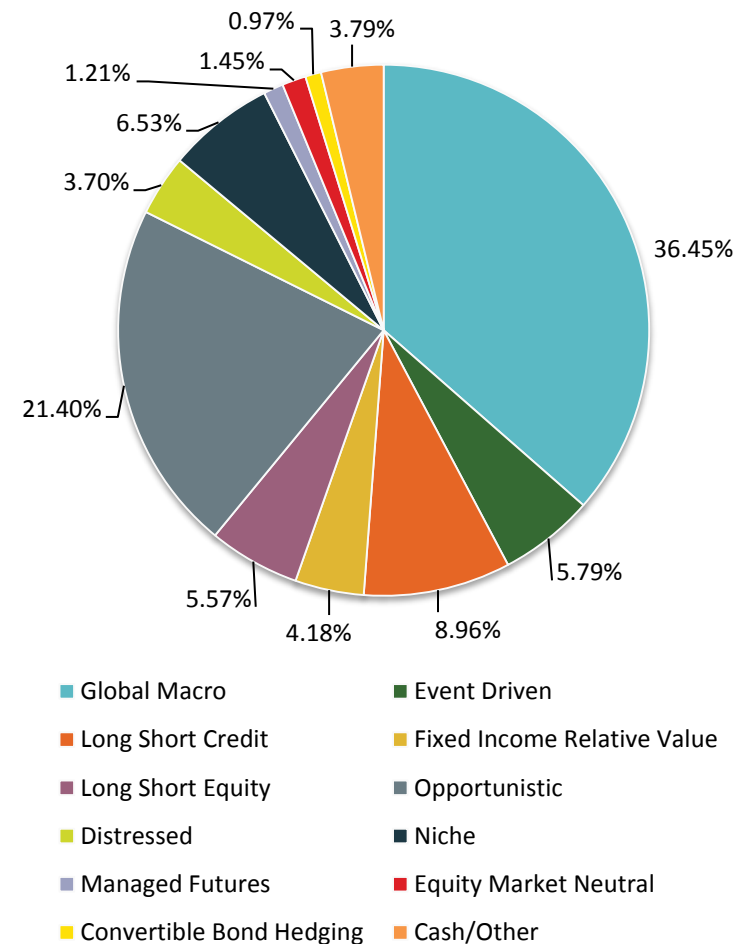
During the fiscal year, the transition to a more concentrated/best ideas portfolio, which began four years ago, continued. Restructuring the portfolio consisted of full redemption requests to three managers near the end of the 2011-2012 fiscal year. As of June 30, 2016, one of those was completed and the two remaining had a market value of assets of \$6.6 million, less than 1% of the absolute return portfolio.

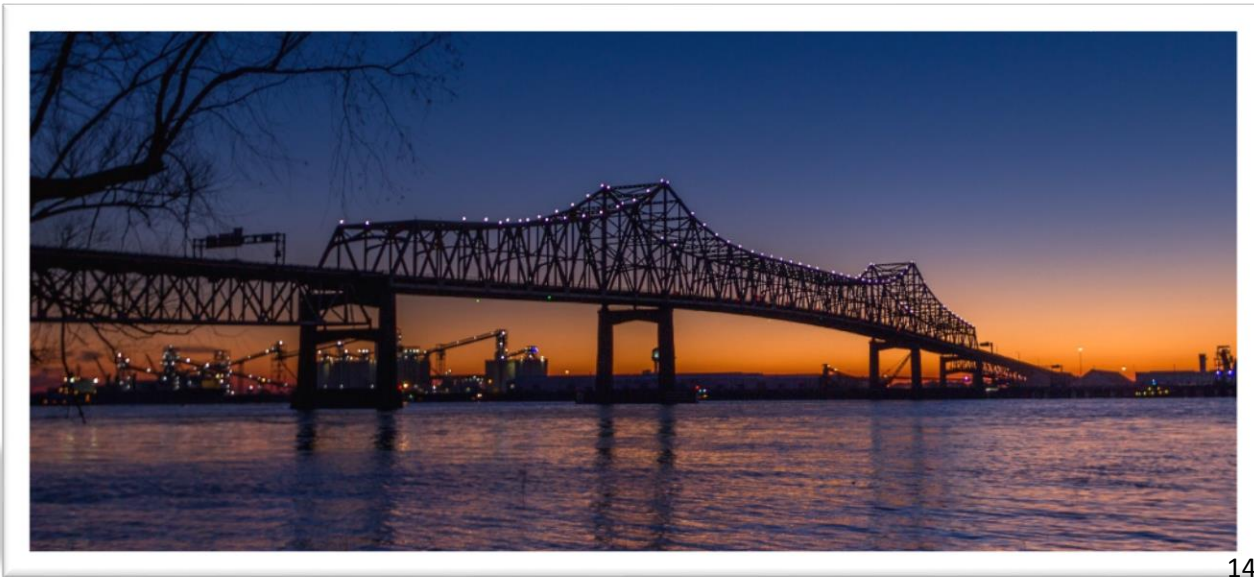
Absolute Return Managers

Manager	Market Value (\$M)	% of Portfolio
Bridgewater	338.7	36.2%
Entrust Capital	183.9	19.7%
K2 Advisors*	1.7	0.2%
PAAMCO	181.9	19.4%
Prisma Capital	224.7	24.0%
Stark Investments*	4.9	0.5%
TOTAL	\$935.8	100.0%

* In redemption status

Absolute Return Allocation

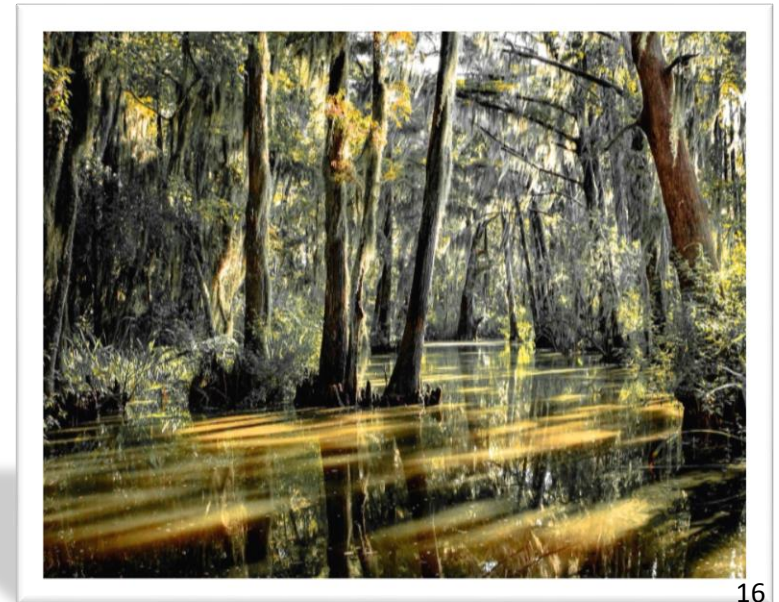




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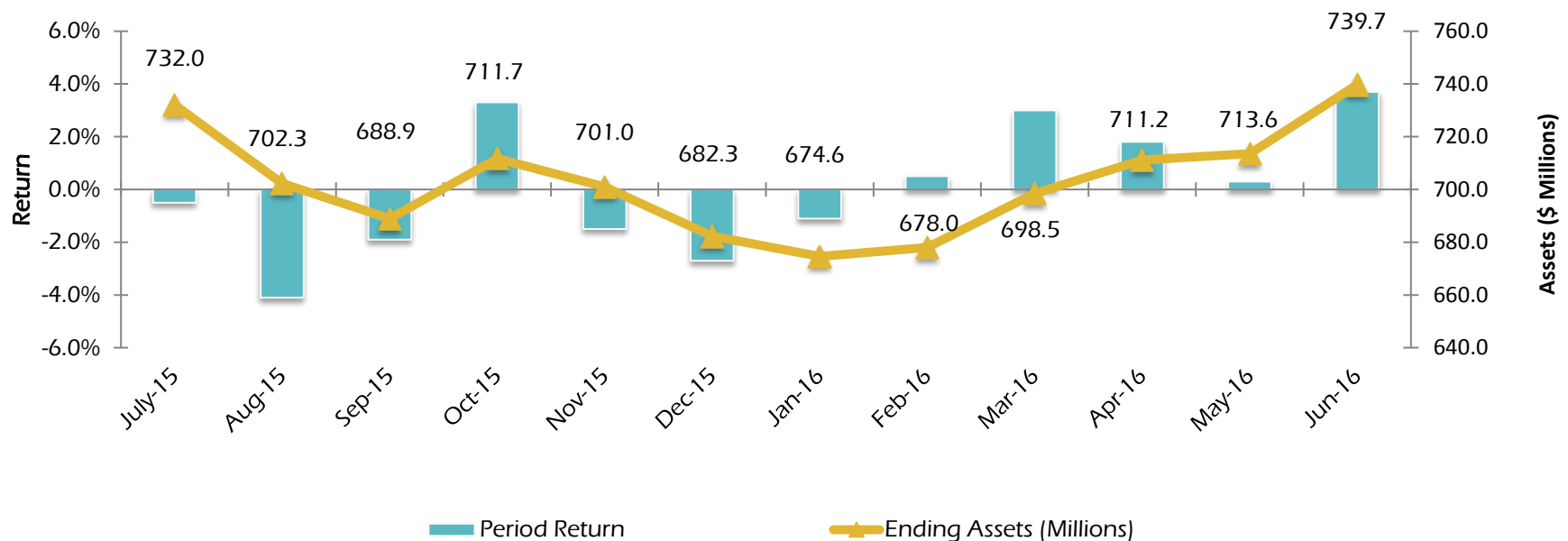
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GLOBAL ASSET ALLOCATION

As of June 30, 2016, the Global Asset Allocation portfolio had a market value of assets of \$739.7 million, representing 7.4% of the Total Plan. The allocation remained unchanged at 7% during the fiscal year. Bridgewater Associates manages the entire allocation in their All-Weather product, and the program returned -0.1% for the year ending June 30, 2016.

The global asset allocation strategy utilizes an optimal strategic allocation mix that aims to provide favorable risk-adjusted returns. The strategy's goal is to avoid being biased to any one market environment, thus producing a more balanced return stream. Below is a monthly breakdown of returns and assets in the All-Weather portfolio during the fiscal year.

Monthly Returns and Assets



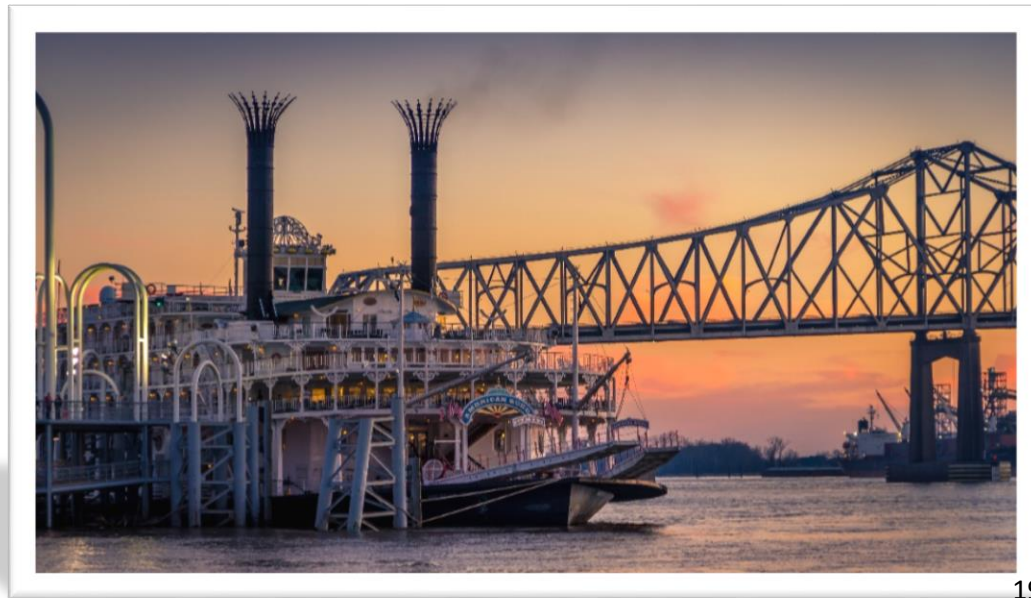
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17



18



19

Supplemental Information

Trading

Below is a schedule of commissions for the fiscal year ending June 30, 2016. The table includes the brokerage firms utilized by LASERS equity managers and total commissions paid to each.

Commission Summary

Brokerage Firm	Commission	Brokerage Firm	Commission
Instinet	\$64,375.76	Needham and Company	\$14,273.58
Stephens	59,239.54	Sanford C Bernstein	13,474.53
Robert W. Barid & Co	43,265.78	SG Americas	12,576.41
Deutsche Bank	41,751.39	Credit Suisse	11,526.55
Barclays Capital	40,699.71	Suntrust Capital Markets	10,818.92
Merrill Lynch	40,408.11	Arqaam Securities	9,551.06
Goldman Sachs & Co	39,554.19	Guzman & Company	9,007.03
UBS Equities	38,870.09	Piper Jaffray & Co	8,059.16
Jonestrading	35,317.43	Credit Lyonnais	7,683.96
Raymond James	34,486.52	JNK	6,922.49
J P Morgan	30,455.08	Themis Trading	6,857.31
Citigroup	28,221.77	Morgan Stanley	6,358.48
Keybank Capital Markets	26,704.76	Wedbush Morgan	6,242.04
Stifel Nicolaus	22,526.30	Other (42)	103,461.00
Exane	14,698.01	Total	\$787,387.00

LASERS is committed to monitoring and analyzing execution costs, with the ultimate goal of ensuring best execution. We conduct a thorough annual review of total execution costs that our managers incur, which includes commissions, market impact, and timing costs. Trading activity and costs are also monitored on an ongoing basis, including a quarterly review of each manager. To oversee our trading activity, LASERS staff compiles and analyzes trade data internally, in addition to using the services of an outside consultant, Zeno Consulting Group.

Zeno Consulting Group: The Zeno Consulting Group analysis involves capturing and analyzing the entire trading process, from security selection through completed execution. Benchmarks and peer group universes are then used as a tool to evaluate the relative execution quality of both investment managers and brokers.

Soft Dollar Commissions: Soft dollars refer to the direction of client brokerage or commissions by investment managers to brokers in return for products and services. Eliminating the use of soft dollars by our investment managers has been a focus of LASERS for a number of years. We have successfully worked with our investment managers to eliminate the generation of soft dollars on behalf of LASERS.

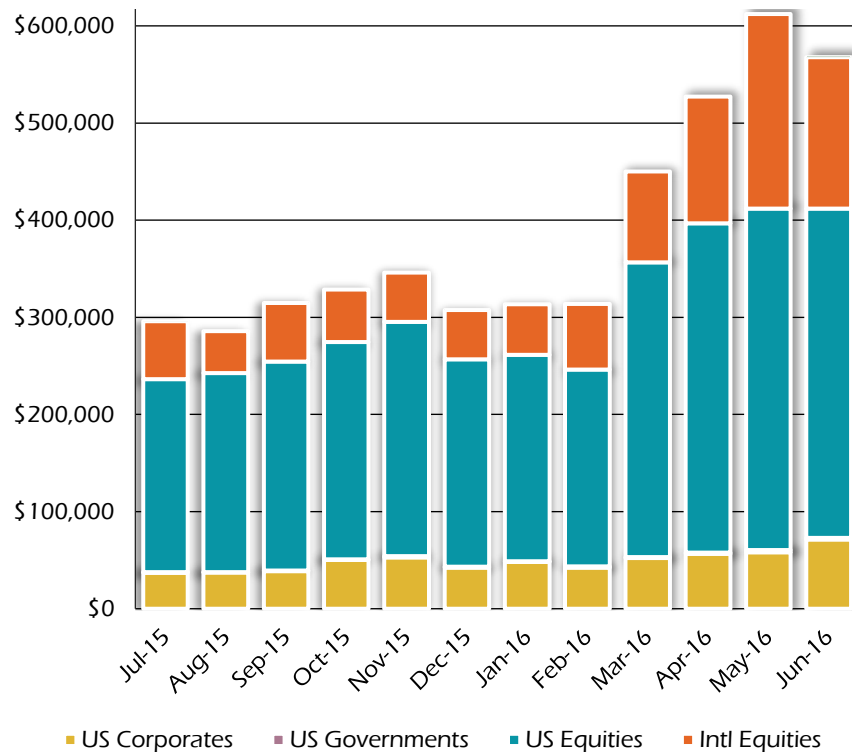
Foreign Exchange: Just as in the trading of securities, LASERS is focused on obtaining best execution when trading foreign currencies. LASERS uses a process to receive and trade based on live, competitive quotes. By trading based on quotes from multiple institutions, internal staff is able to ensure LASERS is receiving fair quotes and best execution at any given time for any given trade.

SECURITIES LENDING

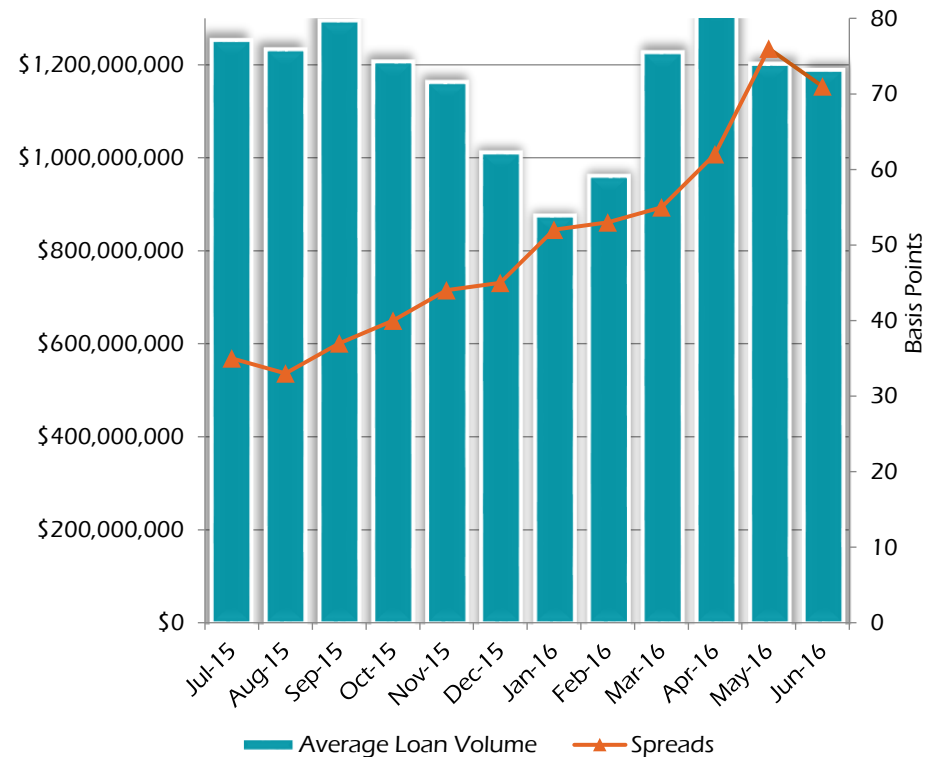
During the fiscal year 2015-2016, LASERS generated \$4,668,010 in revenue through its securities lending program. The lending agreement between LASERS and BNY Mellon incorporates an 80/20 split on the first \$2,500,000 and 85/15 split thereafter, which LASERS reached in February of 2016. Although lendable volume was down slightly, on-loan volume saw a slight uptick year-over-year. Securities lending revenue increased \$764,345 for fiscal year-end. The volume on loan increased from an average of \$1.0 billion in 2015 to \$1.1 billion in 2016. The weighted average total spread was 50 basis points as compared to the Fed Funds Target Rate of 25 basis points.

In the fiscal year 2015-2016, the average market value of lendable securities was \$5.5 billion, which is a decrease of approximately \$431 million over the previous year. The average return on available assets for lending was 8.6 basis points, and the return on loaned assets was 40.2 basis points.

Lending Revenue



Volumes/Spreads



Lending Statistics

Program	Average Lendable Assets (Millions)	Return from Lending Income (Basis Points)	Lending Income (Thousands)
Treasuries	\$29	3	\$7
Agencies	\$4	16	\$5
MBS	\$63	0	\$0
US Corporates	\$675	11	\$588
US Equities	\$2,654	14	\$3,045
Non-US Equities	\$1,963	6	\$1,019
Non-US Fixed Income	\$74	1	\$5

CORPORATE GOVERNANCE

The Board of Trustees of LASERS exercises its right to vote as a shareholder in companies held within investment portfolios as an important method to participate in the corporate governance process. As a fiduciary, LASERS is compelled to exercise this right in the best interest of the System's participants and beneficiaries. This is accomplished by voting for shareholders' resolutions that are likely to enhance shareholder value and by opposing resolutions that are likely to dilute or diminish the value.

Guidelines have been developed to describe how LASERS intends to vote on commonly raised and potentially contentious issues. These guidelines have been developed to encourage companies to take actions that are in the long-term best economic interest of shareholders. They are applied to help determine whether to support or oppose a proposal by a corporation (or shareholder), and are used by LASERS proxy voting agent to vote in accordance with the best interest of LASERS plan participants.

LASERS recognizes that certain proposals, if approved, may have a substantial impact on the market valuation of portfolio securities; therefore, the right to vote is viewed as an asset to be accorded the same fiduciary care and responsibility as our investments.

LASERS generally votes against proposals that may have a negative effect on the stock price and/or reduce shareholder rights. Conditions are imposed on voting for elections of directors, and LASERS may withhold votes from directors based on board and committee independence, performance of the board, failure to respond to high shareholder withhold/against votes and poor long-term corporate performance relative to peers. Several factors are also considered before approving executive and director compensation. LASERS questions the role of compensation in incentivizing inappropriate or excessive risk-taking behavior and has little patience for "pay for failure." LASERS believes that pay programs should be fair, competitive, reasonable, and that pay for performance should be a central tenet in compensation philosophy.

During the fiscal year July 1, 2015, to June 30, 2016, LASERS voted over 31,000 proposals on a variety of issues including capitalization, compensation, and corporate governance issues. Votes were cast on proxy issues at over 2,700 meetings during the 12-month period.

Proxy Activity

Category	Proposals	For	Against	Other
Management Proposals				
Routine/Business	5,747	4,419	1,319	9
Director Related	18,668	10,513	8,130	25
Capitalization	1,967	1,519	448	0
Reorganizations & Mergers	458	425	32	1
Non-Salary Compensation	3,286	2,188	1,066	32*
Antitakeover Related	323	268	53	2
Other/Miscellaneous	37	21	16	0
Shareholder Proposals				
Routine/Business	93	50	43	0
Director Related	269	168	73	28
Corporate Governance	57	25	32	0
Compensation	55	44	11	0
Health/Environmental	113	65	48	0
Social/Human Rights	17	10	7	0
Other/Miscellaneous	229	77	152	0
Total	31,319	19,792	11,430	97

*26 votes – frequency of Say When on Pay

Risk Management

To assess risk, investment division staff assembles the holdings of all managed portfolios to create an aggregate view of LASERS assets and utilizes multiple software systems. Supported by powerful multi-factor models and extensive databases, these software systems assist in quantifying various metrics at the asset level up to the aggregated portfolio level. These tools allow the investment staff to decompose the risk by source and monitor the overall risk in the portfolio based on the manager or asset class that is contributing that risk. Decomposing risks at an aggregated level and at the individual manager level allows the investment staff to better understand and manage the sources of risk in LASERS portfolio.

Risk characteristics of the portfolio, including manager tracking error and value-at-risk (VaR) data, are gathered by the investment staff to quantify the risks inherent in the LASERS portfolio. Value-at-risk reports identify the minimum amount a fund might lose at a given confidence level over a given time period. Tracking error gives an indication of how similar a portfolio is to its respective benchmark.

The scenario analysis can be extended to “stress” the portfolio under different scenarios, historically based and ad hoc, to view how the portfolio would perform under extreme economic and market conditions. For example, staff is able to test the performance of fixed income assets based on a change in interest rates.

VaR and Tracking Error Report

	Assets	Market Value	Weight (%)	Total Risk	Tracking Error	Value-At-Risk (%)
Fixed Income Managers	2,158	\$936,708,315	100%			
Loomis Inv. Grade	285	\$224,775,553	24.00%	9.23%	9.19%	15.53%
Orleans Inv. Grade	127	\$150,316,752	16.05%	3.13%	1.25%	4.89%
JPMorgan High Yield	849	\$201,553,325	21.52%	6.56%	0.41%	6.89%
Nomura High Yield	785	\$209,304,342	22.34%	7.60%	1.28%	7.78%
Stone Harbor	112	\$150,758,343	16.09%	17.38%	2.09%	22.93%

VaR and Tracking Error Report *(continued)*

	Assets	Market Value	Weight (%)	Total Risk	Tracking Error	Value-At-Risk (%)
Equity Managers	4,288	\$5,576,021,936	100%			
AJO	90	\$213,937,051	3.84%	14.45%	3.04%	26.29%
LASERS S&P 500	507	\$1,206,591,967	21.64%	13.05%	0.02%	23.98%
LASERS S&P 400	401	\$402,877,863	7.23%	14.57%	0.04%	25.44%
Rice Hall James	57	\$254,338,793	4.56%	16.01%	3.83%	28.07%
LSV Small Cap	207	\$144,595,481	2.59%	15.98%	2.73%	27.78%
LASERS S&P 600	601	\$300,406,938	5.39%	15.94%	0.16%	28.08%
Mondrian Large Cap	43	\$202,881,761	3.64%	19.03%	4.66%	30.11%
LASERS MSCI World Ex-US	841	\$1,232,661,779	22.11%	18.42%	0.25%	28.62%
LASERS MSCI Terror Free	321	\$31,031,377	0.56%	18.17%	0.97%	28.29%
Mondrian Small Cap	82	\$204,327,371	3.66%	14.48%	5.11%	22.92%
Goldman Sachs	400	\$288,397,767	5.17%	16.25%	11.45%	24.21%
City of London	73	\$299,571,273	5.37%	14.41%	5.17%	22.16%
LSV Emerging Markets	309	\$388,966,186	6.98%	18.53%	2.81%	27.30%
LSV Custom Emerging Markets	165	\$192,987,933	3.46%	16.46%	3.67%	24.18%
Westwood Global	33	\$212,448,396	3.81%	20.46%	6.26%	30.81%

Scenario Analysis by Fixed Income Manager

	+ 200 BPs	+100 BPs	-100 BPs	-200 BPs	Lehman Default 2008	Debt Ceiling Crisis 2011
Loomis Inv. Grade	-3.4%	-1.5%	+1.1%	+1.8%	-12.0%	-0.8%
Orleans Inv. Grade	-7.2%	-3.6%	+3.6%	+7.3%	-10.5%	1.8%
JPMorgan High Yield	-7.4%	-3.7%	+3.6%	+7.1%	-16.3%	-2.9%
Nomura High Yield	-5.8%	-2.9%	+2.9%	+5.7%	-14.6%	-2.4%
Stone Harbor	-27.3%	-13.6%	+13.6%	+27.2%	-11.9%	-2.2%

Risk Management

Scenario Analysis by Equity Manager

	Lehman Default 2008	UK Uncertainty Pound Down 10%	Debt Ceiling Crisis & Downgrade 2011	Greece Financial Crisis 2015	Bear Market - SPX Down 20%, Oil Down 20% & VIX up 150%
AJO	-16.2%	-5.3%	-17.8%	-3.6%	-19.8%
LASERS S&P 500	-16.4%	-4.4%	-16.7%	-3.4%	-18.8%
LASERS S&P 400	-19.8%	-5.0%	-21.7%	-3.7%	-19.5%
Rice Hall James	-20.3%	-4.8%	-21.8%	-5.3%	-20.2%
LSV Small Cap	-19.7%	-5.7%	-22.7%	-4.6%	-20.0%
LASERS S&P 600	-19.5%	-5.3%	-23.3%	-4.8%	-20.7%
Mondrian Large Cap	-15.5%	-9.3%	-13.6%	-7.1%	-17.2%
LASERS MSCI World Ex-US	-18.2%	-9.9%	-14.3%	-6.8%	-19.6%
LASERS MSCI Terror Free	-17.4%	-9.8%	-14.1%	-6.7%	-19.2%
Mondrian Small Cap	-22.6%	-8.4%	-13.4%	-6.5%	-14.4%
Goldman Sachs	-21.3%	-9.8%	-16.1%	-5.8%	-17.3%
City of London	-16.3%	-5.8%	-11.5%	-6.4%	-13.2%
LSV Emerging Markets	-17.0%	-8.1%	-13.8%	-7.7%	-15.5%
LSV Custom Emerging Markets	-14.2%	-7.4%	-12.2%	-6.9%	-13.5%
Westwood Global	-17.3%	-9.8%	-14.8%	-6.6%	-16.1%

In evaluating portfolio managers, it is also important to understand the sector weightings of the manager versus the benchmark. An equity Global Investment Classification Standards (GICS) sector report allows for a quick and easy comparison of a fund's weighting in each GICS sector versus the benchmark weightings. Portfolios can also be aggregated to show how the LASERS total equity allocation is positioned.

Sector Analysis

GICS Sector	Assets	Market Value	Weight (%)	Benchmark Weight (%)	Active weight (%)
Total Summary	3,934	\$5,099,814,850	100%	100.00%	0.00%
Cash	48	\$29,079,020	0.57%	0.00%	+0.57%
Consumer Discretionary	574	\$583,857,594	11.45%	11.36%	+0.09%
Consumer Staples	252	\$453,366,151	8.89%	8.81%	+0.08%
Energy	222	\$297,443,859	5.83%	6.68%	-0.85%
Financials	614	\$811,522,516	15.91%	18.52%	-2.61%
Funds	3	\$46,338,696	0.91%	0.00%	+0.91%
Health Care	307	\$545,145,842	10.69%	10.39%	+0.30%
Industrials	628	\$673,802,860	13.21%	11.44%	+1.77%
Information Technology	460	\$714,258,711	14.01%	14.58%	-0.57%
Materials	312	\$287,777,723	5.64%	5.79%	-0.15%
Real Estate	238	\$237,537,083	4.66%	4.70%	-0.04%
Telecom Services	99	\$204,118,521	4.00%	3.81%	+0.19%
Utilities	177	\$215,566,274	4.23%	3.93%	+0.30%

INVESTMENT POLICY STATEMENT

INTRODUCTION

The Louisiana State Employees' Retirement System (LASERS) was established by the state legislature in 1946 (R.S. 11:401). LASERS is a qualified pension and retirement plan under section 401(a) of the Internal Revenue Code and was created to provide retirement allowances and other benefits for state officers and employees and their beneficiaries. Benefits are funded by three sources: employer contributions, employee contributions and earnings from trust fund investments.

The System is governed by a 13 member Board of Trustees (Board). State law designates members of the Board as follows: six elected active members, three elected retired members and four ex-officio members, which consist of the Chairman of the House & Senate Retirement Committees, State Treasurer and Commissioner of Administration, or their designees, in accordance with applicable law.

STATEMENT OF PURPOSE

This document specifically outlines the investment philosophy and practices of LASERS and has been developed to serve as a framework for the management of the System's defined benefit plan. The Board has established the investment guidelines set forth herein, to formalize investment objectives, policies and procedures and to define the duties and responsibilities of the various entities involved in the investment process. All policy decisions shall include liquidity and risk considerations that are prudent and reasonable under the circumstances that exist over time. The policies will evolve as the internal conditions of the fund and the capital markets environment changes. Any resulting material changes will be communicated to all affected parties.

CONTROLLING STATUTES AND REGULATION

Investments of the Louisiana State Employees' Retirement System shall be made in full accordance with Louisiana Revised Statutes, applicable legislation or regulation as well as LASERS internal policies and procedures.

Principal Statutory Investment Provisions

LASERS shall operate under the "Prudent Man" rule, used herein meaning, that when investing, the Board shall exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. (R.S. 11:263) LASERS will apply this standard to the entire fund portfolio, and as part of an overall investment strategy. This will include an asset allocation study and a plan for implementation which will incorporate risk and return objectives reasonably suitable to the fund. The following types of risk are to be examined: market value, credit, interest rate, inflation, counterparty and concentration. The study and implementation of such plan will be designed to preserve and enhance principal over the long term, provide adequate liquidity and cash flow for the system, and minimize the risk of loss unless it is clearly prudent not to do so. (R.S. 11:263.C)

With respect to fiduciary duty, the following shall be deemed to have a fiduciary relationship: (1) any person who exercises any type of discretionary authority or discretionary control with respect to the management of system funds or assets; and (2) any person who renders investment advice or services for compensation, directly or indirectly, with respect to the system funds or assets. (R.S. 11:264)

Other Statutory Provisions

When contemplating any investment, action or asset allocation the Board shall consider the following factors:

- The availability of public pricing to value each investment
- The ability to liquidate each investment at a fair market price within a reasonable time frame for the size of investment that is being considered
- The degree of transparency that accompanies each investment
- The risk of fluctuations in currency that may accompany each investment
- The experience of the professionals who will manage each investment and the financial soundness of the business entity employing such professionals
- The degree of diversification which exists within each investment and that such investment itself may provide relative to the other existing investments in the portfolio
- Whether leverage is involved
- The potential for unrelated business taxable income as defined in Section 512 of the Internal Revenue Code
- The jurisdiction of the laws that govern each investment
- The net return that is expected relative to the risk that is associated with each investment (R.S. 11:263.D)

LASERS is subject to a legislative limit restricting the fund so that no more than 65% of its total assets are invested in publicly traded equities. Should LASERS have more than 55% of its total assets invested in publicly traded equities, at least 10% of those equities must be invested in one or more index funds. Alternative assets are not considered to be equities when calculating LASERS equity exposure. LASERS will take steps to rebalance if, at the end of its fiscal year, its exposure to publicly traded equities is above 65%. LASERS is aware that markets will fluctuate, and any rebalancing will appropriately consider market conditions and any other relevant factors. (R.S. 11:263.D)

When requesting proposals for investment advisory services, fees are required to be quoted on a fixed, market value of assets or performance basis. (R.S. 11:265)

INVESTMENT POLICY STATEMENT

Investment performance reports by investment managers and advisors shall be in compliance with the current Global Investment Performance Standards (GIPS) as amended and published by the CFA Institute (formally known as Association for Investment Management and Research). This is not required for limited partnerships, limited liability partnerships, private placements or natural resource portfolios. (R.S. 11:266)

Consultants and money managers shall provide full disclosure of conflicts of interest, including non-pension sponsor sources of revenue. Consultants also shall provide full disclosure of any payments they receive from money managers. (R.S. 11:269)

Details for this reporting requirement are listed under the Semi-Annual Reporting Requirements under the Conflicts of Interest Report in Section XII of these guidelines.

LASERS shall report to the legislature and other Louisiana state and statewide retirement systems on a quarterly basis investment returns and expenses on a total fund and asset class basis for the quarter, fiscal year-to-date, one year, three year, five year, and ten year periods. This will include at a minimum, the following:

- Investment returns net of fees and expenses expressed as a percentage return and dollar amount
- Administrative expenses
- Board-approved target/current asset allocation (R.S. 11:263.G)

LASERS shall report to the legislature on a semiannual basis investment in any company having facilities or employees or both located in a prohibited nation. A prohibited nation is considered to be one of the following: Iran, North Korea, Sudan or Syria. (R.S. 11:312) Details for this reporting requirement are listed under the Semi-Annual Reporting Requirements under the Prohibited Nations Report in Section XII of these guidelines.

LASERS shall have a corporate governance strategy of constructive engagement with each company in which it has direct and indirect ownership that has facilities or employees or both located in a prohibited nation. This strategy shall contain a plan of action to cause any such company to remove facilities, employees or both from any prohibited nation. This excludes private equity and hedge funds. (R.S. 11:314 & 315)

LASERS is required to invest a portion of funds in an international terror-free index fund which identifies and excludes from the fund companies having facilities or employees or both in a prohibited nation. (R.S. 11:316)

LASERS shall report to the legislature on a quarterly and annual basis its use of Louisiana broker dealers on specified transactions. (R.S. 11:266.1) Details for this reporting requirement are listed under the Quarterly Reporting Requirements under the Broker-Dealer Information in Section XII of these guidelines.

ROLES AND RESPONSIBILITIES

The following section outlines the roles and responsibilities for each of the parties involved with executing the policy. In addition to the activities described below, each person involved with the policy serves as a fiduciary and will adhere to the “Prudent Man” rule as described in State Statute, which is outlined under the Principal Statutory Investment Provisions found in these guidelines.

Board of Trustees

The Board of Trustees is responsible for the total investment program. The Board shall approve the investment policy and provide overall direction to the administrative staff in the execution of the investment policy.

- Formal Review Schedule - the Board will conduct formal annual evaluations of the administrative staff, investment consultant and custodian.

Investment Committee

The Investment Committee was established by the Board to assist in oversight of the investment program; it will consist of not less than seven members of the Board. The Committee reviews and makes recommendation to the Board on investment actions including, but not limited to the following:

1. Asset Allocation

- a) Establishing the asset allocation policy for the portfolio, including target percentages and ranges.
- b) Approving asset classes for inclusion in the portfolio.
- c) Establishing the structure of the portfolio, including the funds to be allocated to active/passive portfolios and internal/external managers.

2. Asset Management

- a) Hiring, retaining or terminating investment managers, consultants, custodians and securities lending agents based on established evaluation processes.

INVESTMENT POLICY STATEMENT

3. Risk Control

- a) Ensuring that appropriate investment policies are in place, along with compliance of policies and directives.
- b) Continue to be aware of information on compliance with Securities and Exchange Commission (SEC) rules on pay to play practices.

4. Monitoring

- a) Establishing performance benchmarks and expectations.
- b) Monitoring the performance of investments.

Chief Investment Officer

The Chief Investment Officer (CIO) shall assist the Board in developing and modifying policy objectives and guidelines, including the development of liability-driven asset allocation strategies and recommendations on long-term asset allocation and the appropriate mix of investment manager styles and strategies. Choosing appropriate manager styles and strategies will include assisting the Board in evaluating the use of index funds as an alternative to active management. Additionally, the CIO shall provide assistance in manager searches and selection, investment performance calculation and evaluation, and any other analysis associated with the proper execution of the Board's directives.

The CIO shall also communicate the decisions of the Investment Committee to investment managers, custodian bank(s), actuary, and consultant. The CIO provides oversight of the investment consultant, investment service providers and personnel of LASERS investment division.

Investment Consultant

The Investment Consultant works under direction of the Board, offering a third party perspective and providing an additional level of oversight to the System's investment program. The Consultant's normal functions shall include assisting the Board and the CIO in developing and modifying policy objectives and guidelines, including the development of a liability-driven asset allocation strategy and recommendations on the appropriate mix of investment manager styles, strategies and funding levels.

Additionally, the Consultant shall provide education and training and assist in manager searches and selection, investment performance evaluation, and assist both the Board and CIO in the use of index funds as an alternative to active management. The Consultant shall provide timely information, written and/or oral, on investment strategies, instruments, managers and other related issues, as requested by the Board, the Investment Committee, or the CIO.

Investment Managers

The duties and responsibilities of each of the investment managers retained by the Board include, but may not be limited to, the following:

- Investing the assets under its management in accordance with the policy guidelines and objectives expressed herein
- Meeting or exceeding the manager-specific benchmarks, net of all fees and expenses, expressed herein over various and appropriately measured time periods
- Exercising investment discretion within the guidelines and objectives stated herein. Such discretion includes decisions to buy, hold or sell securities in amounts and proportions reflective of the manager's current investment strategy and compatible with the investment objectives
- Complying with all provisions pertaining to the investment manager's duties and responsibilities as a fiduciary
- Complying with the CFA Institute's Code of Ethics & Standards of Professional Conduct and Global Investment Performance Standards (GIPS)
- Disclosing all conflicts and potential conflicts of interest
- Ensuring that all portfolio transactions are made on a "best execution" basis
- Exercising ownership rights, where applicable
- Meeting with the Board as needed upon request of the Board, and timely submitting all required reports
- Promptly informing the Board regarding all significant matters pertaining to the investment of the fund assets, for example:
 - Changes in investment strategy, portfolio structure and market value of managed assets
 - Changes in the ownership affiliations, organizational structure, financial condition, professional personnel staffing and clientele of the investment management organization
 - Any material changes in the liquidity of the securities they hold in the LASERS portfolio
 - Campaign contributions made by executives or employees to elected officials who can influence selection decisions
- Initiating written communication with the Board when the manager believes that this Investment Policy is inhibiting performance and/or should be altered for any valid reason. No deviation from the guidelines and objectives established in the Policy is permitted until after such communication has occurred and the Board has approved such deviation in writing
- Reconciling performance, holdings and security pricing data with the Fund's custodian bank. If the Fund's custodian bank shows a significantly different price for a given security, the manager should work with the custodian bank to resolve pricing differences. Managers shall provide to LASERS staff a summary of reconciled holdings both in hard copy and the electronic format of LASERS choosing
- Any other duties included in the contract

INVESTMENT POLICY STATEMENT

Custodian Bank

The Custodian is responsible for the safekeeping of System assets and serves as the official book of record. It is understood that investments that are held in partnerships, commingled accounts or unique asset classes are unable to be held by the System's custodian bank.

The Custodian will be responsible for performing the following functions:

- Holding System assets directly, through its agents, its sub-custodians, or designated clearing systems
- Registration of System assets in good delivery form, collection of income generated by those assets, and any corporate action notification
- Delivery and receipt of securities
- Disbursement of all income or principal cash balances as directed
- Providing daily cash sweep of idle principal and income cash balances. Dividends, interest, proceeds from sales, new contributions and all other monies are to be invested or reinvested promptly
- Providing online records and reports
- Providing monthly statements by investment managers' accounts and a consolidated statement of all assets
- Providing monthly performance reports and quarterly performance analysis reports
- Notifying appropriate entities of proxies
- Accepting daily instructions from designated investment staff
- Resolving any problems that staff may have relating to the custodial account
- Providing a dedicated account representative and back up to assist the LASERS staff in all needs relating to the custody and accountability of the Fund's assets
- Managing the securities lending program (if applicable)
- Overseeing securities class actions on behalf of the System
- Providing a compliance monitoring system
- Any other duties and services included in the contract

INVESTMENT OBJECTIVES

Nominal Return Requirements

The investment program shall be structured to preserve and enhance principal over the long term, in both real and nominal terms. For this purpose, short-term fluctuations in values will be considered secondary to long-term investment results. The investments of the Fund shall be diversified to minimize the risk of significant losses. Total return, which includes realized and unrealized gains, plus income less expenses, is the primary goal of LASERS.

The actuarially expected total rate of return for the Fund is 7.75% annually. However, LASERS seeks to achieve returns greater than 8.0%.

Relative Return Requirements

LASERS seeks to have total returns rank in the top half of the appropriate public fund universe, reflecting similar circumstances to the Fund. The total fund return should, over time, exceed the Policy and Allocation Indices (see Section VI for a description of how the Policy and Allocation Indices are calculated.) Returns for LASERS managers should exceed their respective benchmarks, as well as rank in the top half of the appropriate universe of managers adhering to the same investment strategy.

The Board further recognizes that the return targets described herein may not be achieved in any single year. A longer-term horizon of 5-7 years shall be used in measuring the long-term success of the Fund. While the Board expects that returns will vary over time, LASERS has a risk tolerance consistent with that of other funds created for similar purposes, and the assets of the Fund shall be invested accordingly.

PERFORMANCE BENCHMARKS

Total Fund Return

The Total Fund return shall be compared against other public pension plans. LASERS will compare its returns against other funds of similar size and circumstances. LASERS Total Fund return should meet or exceed the Allocation Index return and the Policy Index return, which are each described below.

Allocation Index

The Allocation Index return shall measure the success of the Fund's current allocation. It shall be calculated by using index rates of return for each asset class invested in by the Fund multiplied by the actual percent allocated to each asset class. The difference between the Allocation Index return and the Total Fund return measures the effect of active management. If the Total Fund return

INVESTMENT POLICY STATEMENT

is greater than the Allocation Index return, then active management has in aggregate added value. If the Total Fund return is less than the Allocation Index return, then active management has not added value.

Policy Index

The Policy Index return shall measure the success of the Fund's target allocation. It shall be calculated by using index rates of return for each asset class invested in by the Fund multiplied by the percent targeted to each asset class. The difference between the Allocation Index return and the Policy Index return measures the effects of deviating from the target allocation. If the Allocation Index return is greater than the Policy Index return, then deviating from the target allocation has added value. If the Allocation Index return is less than the Policy Index return, then deviating has not added value.

Manager Benchmarks

LASERS Investment Managers shall be compared to a combination of passively managed index returns matching the managers' specific investment styles, as well as the median manager in their appropriate peer group universe. Specific benchmarks and peer groups are described for each manager in Section B of the Investment Policy Statement.

ASSET ALLOCATION

The foundation of the System's strength and stability rests upon the diversification of plan assets. The following section outlines the current asset allocation, which was designed to achieve the required return objectives of the System, given certain risk considerations. This is to be pursued by LASERS on a long-term basis, but will be revised if significant changes occur within the economic and/or capital market environment. Changes in liability structure, funded status, or long-term investment prospects should trigger a revision of the asset allocation.

Asset Classes

The current allocation includes the following asset classes:

Traditional Assets

- Domestic Equity
- International Equity
- Emerging Market Equity
- Domestic Fixed Income
- Global Multi-Sector Fixed Income
- Emerging Market Debt

Non-Traditional Assets

- Private Equity Fund of Funds - Domestic and International
- Private Equity Direct Funds - Domestic and International
- Absolute Return - Fund of Funds
- Absolute Return - Direct Funds
- Global Asset Allocation

Based on the Board's determination of the appropriate risk tolerance for the System and its long-term expectations, the following asset class policy target allocation and permissible ranges have been established:

Target Asset Mix

Asset Class	Market Value Target (%)	Minimum Exposure (%)	Maximum Exposure (%)
Equities	57	47	67
Domestic Large Cap	14	9	19
Domestic Mid Cap	4	0	10
Domestic Small Cap	7	2	12
Established International (Lg Cap)	15	5	20
Established International (Sm Cap)	5	2	9
Emerging International Equity	12	7	17
Fixed Income	14	4	24
Core Fixed Income	4	0	10
Domestic High Yield	4	0	10
Global Multi-Sector	4	0	10
Emerging Market Debt	2	0	7
Cash	0	0	5
Alternative Assets	22	12	32
Private Equity	14	6	21
Absolute Return	8	3	13
Other	7	2	12
Global Asset Allocation	7	2	12

INVESTMENT POLICY STATEMENT

Implementation

LASERS recognizes that special expertise is required to properly invest the majority of the assets described above. However, certain highly efficient passively managed investment strategies lend themselves to internal management, resulting in lower management fees for the Fund as a whole. Where appropriate, LASERS will manage these assets internally, so long as the same level of care, prudence and oversight is maintained that an outside professional investment advisor would typically provide.

Style Allocation

LASERS shall strive to maintain a neutral bias with respect to style allocation (growth versus value) in its equity investments, unless deemed advantageous to implement a style bias. LASERS recognizes that over the long run, returns from growth and value investing tend to approximate each other; over shorter periods, however, differences in returns can be significant. The CIO, as part of the normal rebalancing responsibilities, shall use appropriate judgment and care when rebalancing style-biased portfolios.

Active/Passive Mix

LASERS shall make use of passive strategies only where passive management, after all fees and expenses, can effectively compete with actively managed portfolios in terms of returns and variability of returns.

Rebalancing

The CIO will review LASERS asset allocation at least quarterly to determine if it is consistent with the exposure ranges established for LASERS described herein. The CIO will direct staff and investment managers to transfer funds to rebalance the asset allocation as necessary. The CIO will consider market conditions and transaction costs, as well as any other relevant factors when rebalancing.

RISK MANAGEMENT

It is recognized that risk issues permeate the entire investment process, and risk is considered throughout the investment process from asset allocation to performance evaluation. Ongoing monitoring will be accomplished through a “mosaic” approach, in which various forms of analysis and reporting contribute to the total picture. Inspection of levels of diversification, nominal risk exposures, risk/return plots, sortino ratio, Value at Risk, tracking error, and worst case scenarios modeling form the core of the monitoring process.

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Thanks to our members for navigating our state and submitting the beautiful photographs used in this report:

1 – “Enchanted Forest” by Robin Stevens features the Mandeville/Covington area. Robin is an active member employed by the Louisiana Workforce Commission.

2 – “Tanker” by Jeanie Rhea a ship channel near Cameron. Jeanie is a retired member from the Department of Children and Family Services.

3 – “Bayou Dreaming” by Robin Stevens features scenery on a swamp boat tour in the Slidell area. See Robin’s bio in “1” above.

4 – “Twin Span Bridge” by Robin Stevens features the I-10 Twin Span Bridge across Lake Pontchartrain. See Robin’s bio in “1” above.

5 – “Lake Lone Tree” by Juanita Miller features Lake Killarney at Angola. Juanita is an active member employed by the Louisiana State Penitentiary at Angola.

6 – “Alleyway Near River Road Plantation” by Theresa Mullins Low features an alleyway on the side of Evergreen Plantation on River Road. Theresa is a retired member from the Department of Children and Family Services.

7 – “Mandeville Sunset” by Robin Stevens features Lake Pontchartrain near Mandeville. See Robin’s bio in “1” above.

8 – “Ariel Pilot” by James Shaw features a small plane over the skies in southeast Louisiana. James is an active member employed by the Department of Agriculture and Forestry.

9 – “Locomotive” by Dave Redman features a train passing a railroad signal in Reserve. Dave is the spouse of Mary Lou Redman whom is an active member employed by the Louisiana Supreme Court.

10 – “Audubon Bridge” by Theresa Mullins Low features the John James Audubon Bridge near St. Francisville and New Roads. See Theresa’s bio in “6” above.

11 – “City Scape Structures” by Mark Fradella features the Riverboat Natchez with Canal Street in the background. Mark is an active member employed by the Department of Corrections.

12 – “Bayou Highway” by Robin Stevens features the Mandeville/Convington area. See Robin’s bio in “1” above.

13 – “Shrimping in Cocodrie” by Theresa Mullins Low features a shrimping boat in Cocodrie. See Theresa’s bio in “6” above.

(photo credits continued)

14 – “Horace Wilkinson Bridge” by Mark Steudlein features the bridge across the Mississippi River in Baton Rouge. Mark is an active member employed by the Division of Administration Office of Technology Services.

15 – “Steamboat Natchez” by Theresa Mullins Low features the Steamboat Natchez in New Orleans. See Theresa’s bio in “6” above.

16 – “Into the Unknown” by Robin Stevens features a Louisiana swamp near Slidell. See Robin’s bio in “1” above.

17 – “Mississippi River Navigation” by Malcolm Dales Behrnes features a tug boat on the Mississippi River. Malcom is a retired member from the Louisiana Workforce Commission.

18 – “Black Lake” by Jolene Ardoin features Black Lake near Monroe. Jolene is an active member employed by the Division of Administration Office of Technology Services.

19 – “Steam Boat” by Mark Steudlein features a classic steam boat navigating the Mississippi River. See Mark’s bio in “14” above.

20 – “Alligator Alley” by Robin Stevens features the Mandeville/Covington area. See Robin’s bio in “1” above.



20

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Management Team

Cynthia Rougeou – Executive Director

Maris LeBlanc - Deputy Director & Chief Operating Officer

Bernard “Trey” Boudreaux, III – Assistant Director & Chief Administrative Officer

Robert Beale, CFA, CAIA – Chief Investment Officer

Tina Vicari Grant – Executive Council

Investment Team

Robert Beale, CFA, CAIA – Chief Investment Officer

Darren Fournierat, CFA, CAIA – Assistant Chief Investment Officer

Laney Sanders, CFA, CAIA, CTP – Assistant Chief Investment Officer

Celeste Funderburk, CCM – Director of Public Markets

Jacques Brousseau, CFA, CAIA – Director of Private Markets

Alisa Lacombe – Manager of Operations

Reeves Pearce, CAIA – Manager of Alternative Assets

Caye Weaver – Administrative Assistant

Investment Consultant

Rhett Humphrey’s, CFA – Lead Consultant

Custodian Bank

Bank of New York Mellon

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