

LASERS Benefits Louisiana.

Louisiana State Employees'
Retirement System

ECONOMIC IMPACT STUDY



Fiscal Year **2015**




Responsible Spending



Money-Saving Reforms

Legislative Reforms


Over the Last Decade Projected to



Save Almost \$3 Billion




Stimulating the Economy



FY 2015:

\$1.12 Billion Paid in Pension Benefits to **44,000** Retirees Living in Louisiana

=




\$2 Billion in Economic Stimulus




Cost-Effective Funding

Accruing Benefit Cost **4%**



Social Security **6.2%**



Prudent Management



LASERS Manages Approximately **One-Third** of Its Investments Internally *Saving Millions of Dollars Per Year in Professional Management Fees*

8.35% 30-Year Return on Investments

LASERS Benefits



LASERS
Paid Over
\$1.2 Billion
in **Benefits** to
LASERS Members
and
Their Families
in
Fiscal Year 2015

There
are **25**
Retirement
Plans
within LASERS

LASERS BENEFITS

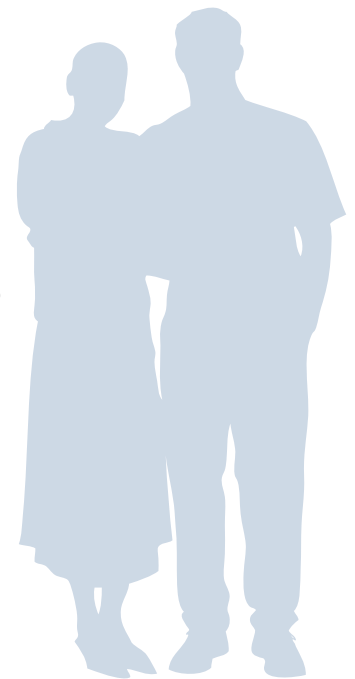
Because Louisiana state employees do not pay into Social Security, most retirees rely solely on their LASERS benefit after retirement. When this is taken into consideration, it is clear that the average LASERS retiree earns a very modest benefit. The average benefit for a LASERS rank-and-file retiree is **\$24,660** per year.

When retirees spend their benefit income, it fuels the economy of Louisiana. LASERS paid over \$1.12 billion in benefits to LASERS members and their families in fiscal year 2015. An estimated \$2 billion of that stayed in our state, since 93% of LASERS beneficiaries live in Louisiana.

Every dollar paid out in state pension benefits *supports \$1.81 in total economic activity in Louisiana.**

LASERS administers 25 retirement plans covering over 145,000 LASERS members and their families, on behalf of more than 350 Louisiana employers statewide.

The Average LASERS Rank-and-File
Benefit is **\$24,660** Per Year



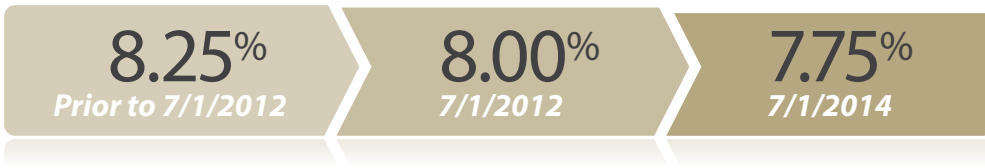
**Source: National Institute on Retirement Security, "Pensionomics 2014: Measuring the Impact of DB Pension Expenditures."*



LASERS Funding the Future

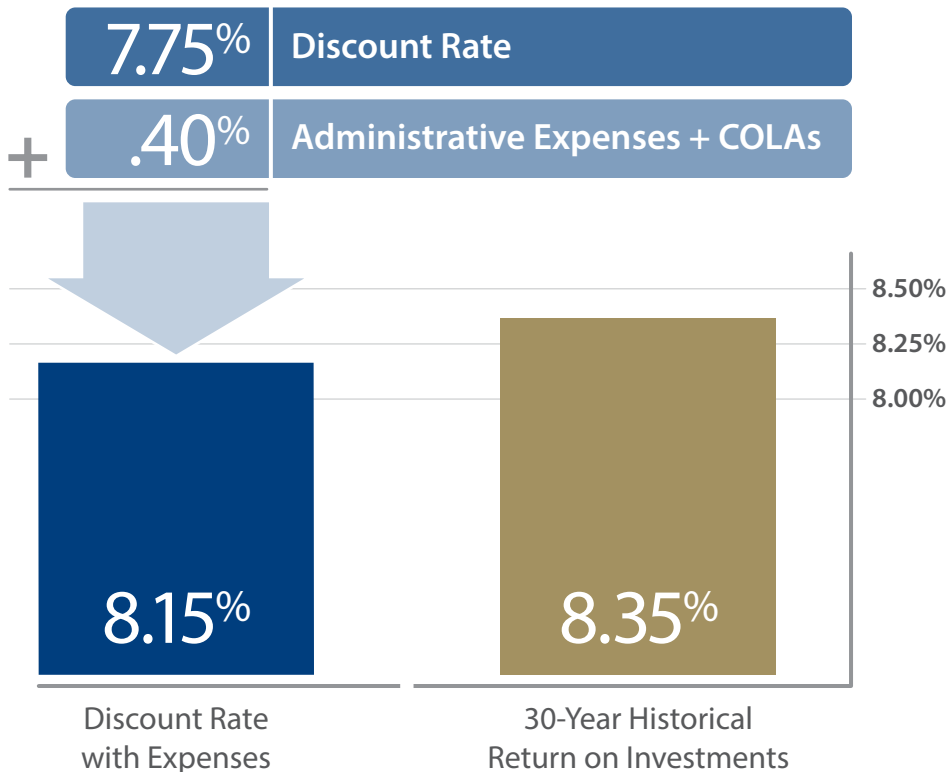
Reducing the Discount Rate

To improve funding LASERS proactively reduced the discount rate from 8.25% to 8.00% on July 1, 2012 and to 7.75% on July 1, 2014. A lower discount rate increases plan funding requirements, which improves the health of the System.



Historical Investment Return Exceeds Discount Rate

LASERS 30-year historical return of 8.35% exceeds our discount rate of 7.75%. Excess returns are used to improve the funding of the System, cover administrative expenses, and provide COLAs for retirees. Based on 30-year projected investment returns provided by our investment consultant and investment staff, LASERS expects to earn more than 8.15% over the long term.



Discount Rate:

The actuarial return that LASERS is expected to earn over time, through its investments.

LASERS 5-Year Market Return:
11.10%

LASERS FY 2015 Actuarial Return
10.64%

Explaining The Unfunded Accrued Liability



What is the Initial Unfunded Accrued Liability (IUAL)?

- The IUAL is the debt owed to the Louisiana State Employees' Retirement System (LASERS) by the State of Louisiana from the inception of the System through June 30, 1988.
- LASERS was created in 1946 with an unfunded liability. Benefits were granted but not fully funded.
- A 1987 constitutional amendment led to a 40-year amortization schedule for the IUAL, requiring that the debt be satisfied by 2029.
- Recent reforms and diligence in the state making required payments may result in the IUAL being paid a year early.

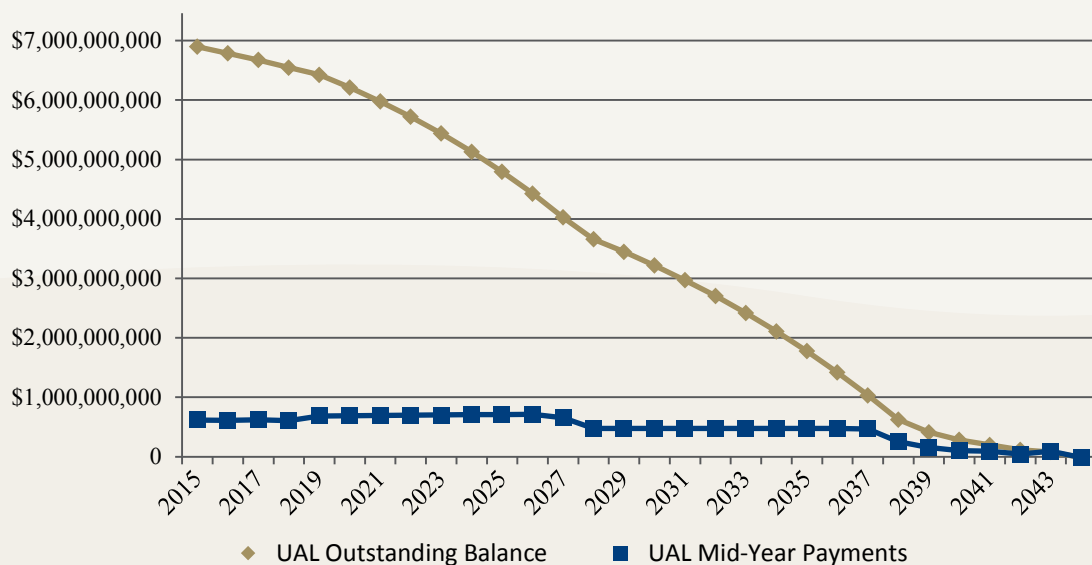
What is the Unfunded Accrued Liability (UAL)?

- The UAL is the IUAL **plus** any additional unfunded liability accrued since June 30, 1988.
- The UAL is the total amount by which the retirement system's liabilities (benefit obligations) exceed the assets of the System if the System were required to fund all future benefits immediately, a scenario that does not occur.
 - At FYE 2015, LASERS had over \$11.4 billion in total assets at market value.

What is the Cost of the Accruing Benefit Being Earned or "Normal Cost?"

- Simply put, the Normal Cost is how much it will cost to pay a benefit earned by the employee in that year.
- Employer portion of the Normal Cost is projected to be 4% of payroll for Fiscal Year 2017 and going forward. This should be compared to the 6.2% an employer would pay for employees in Social Security.

Unfunded Accrued Liability Projected Payment





The Experience Account & COLAs

What is the LASERS Experience Account? as of June 30, 2015

An account, created by statute, that is used to fund cost-of-living adjustments (COLAs) for retirees. It is funded with a portion of excess revenues earned by the System.

Act 399 of the 2014 Legislative Session made a number of changes to the Experience Account:

- Directed more System earnings to reduce debt.
- Limited the amount that may be put in the Experience Account to the value of one 1.5% COLA.
- Tied the amount and frequency of future COLAs to System funded ratio.
- To date, an additional \$422 million has been applied toward reducing the debt.

A COLA MAY BE GRANTED WHEN SUFFICIENT FUNDS ARE AVAILABLE:

System Funding	System earns at least 8.25%	System earns ARR ¹ , but not 8.25%	System does not earn ARR
Less than 55%	None	None	None
At least 55% but less than 65%	Lesser of 1.5% or CPI-U ²	Lesser of 1.5% or CPI-U	None
At least 65% but less than 75%	Lesser of 2.0% or CPI-U	Lesser of 2.0% or CPI-U	None
At least 75% but less than 80%	Lesser of 2.5% or CPI-U	Lesser of 2.0% or CPI-U	None
At least 80%	Lesser of 3.0% or CPI-U	Lesser of 2.0% or CPI-U	Lesser of 2.0% or CPI-U

¹ARR is the Assumed Rate of Return for the System, currently at the 7.75% for the 12-month period ending on June 30 of the previous year. ²CPI-U is the Consumer Price Index - Urban.

COLA Eligibility

Retirees

- Received a benefit for at least one year prior to July 1; and
- At least age 60 prior to July 1

Non-retiree beneficiary

- Benefits paid to retiree, beneficiary, or both combined, for at least one year; and
- Retiree would have attained age 60 prior to July 1

Disability retiree or benefits based on death of disability retiree

- Age restriction does not apply

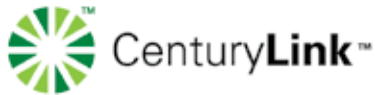
Pension Reform



YEAR	LEGISLATIVE REFORM
1987	Act 947 (<i>Constitutional Amendment, 68% voter approval</i>) <ul style="list-style-type: none"> ✓ Requires retirement systems to be actuarially sound ✓ IUAL (UAL as of 1988) must be paid off by 2029
1988	Act 81 <ul style="list-style-type: none"> ✓ Increased the rank-and-file employee contribution rate from 7% to 7.5%
2005	Act 75 - Rank-and-File members hired after July 1, 2006 <ul style="list-style-type: none"> ✓ Increased employee contribution rate from 7.5% to 8% ✓ Limited retirement eligibility to 10 years of service at age 60 ✓ Increased FAC from three years to five years ✓ Salary spiking cap reduced from 25% to 15%
2007	Act 484 (<i>Constitutional Amendment, 58% voter approval</i>) <ul style="list-style-type: none"> ✓ Requires retirement provisions with a cost to have a new or additional funding source and be paid within 10 years
2009	Act 497 <ul style="list-style-type: none"> ✓ Reduced payments in future years ✓ Used legislative appropriations and funds from side accounts to reduce IUAL ✓ Used funds from Experience Account to reduce UAL ✓ Prioritized excess investment earnings' application to debt ✓ Increased retiree COLA eligibility from age 55 to age 60
2010	Act 1048 (<i>Constitutional Amendment, 65% voter approval</i>) <ul style="list-style-type: none"> ✓ Requires 2/3 legislative approval of retirement provisions with an actuarial cost
2010	Act 992 <ul style="list-style-type: none"> ✓ Creates another new rank-and-file plan ✓ Hazardous Duty plans consolidated; benefits adjusted for consistency
2011	Act 422 (<i>Constitutional Amendment, 59% voter approval</i>) <ul style="list-style-type: none"> ✓ Provides for a minimum of non-recurring revenue to be applied toward reducing the UAL
2014	Act 399 <ul style="list-style-type: none"> ✓ Dedicates additional excess investment returns towards the UAL ✓ Restructured COLA granting requirements
2014	Act 226 <ul style="list-style-type: none"> ✓ Increases retirement eligibility age from 60 to 62 for new hires
2014	Act 571 <ul style="list-style-type: none"> ✓ Changes actuarial method from Projected Unit Credit to Entry Age Normal ✓ Cut employer Normal Cost nearly in half (Employer paying 4% instead of 7%) <ul style="list-style-type: none"> • Much less than Social Security which is 6.2% ✓ One-time increase in UAL but creates greater budget stability



Supporting Louisiana Companies



CenturyLink is the third largest telecommunications company in the United States and is recognized as a leader in the network services market by technology industry analyst firms. The company is a global leader in cloud infrastructure and hosted IT solutions for enterprise customers. CenturyLink provides data, voice and managed services in local, national and select international markets through its high-quality advanced fiber-optic network and multiple data centers for businesses and consumers. CenturyLink was founded in 1968 and is headquartered in Monroe, Louisiana.

\$5,501,366
invested in Centurylink*

Entergy Corporation is an integrated energy company engaged primarily in electric power production and retail distribution operations. Entergy owns and operates power plants with approximately 30,000 megawatts of electric generating capacity, including nearly 10,000 megawatts of nuclear power, making it one of the nation's leading nuclear generators. Entergy was founded in 1913 and is headquartered in New Orleans, Louisiana.

\$4,265,955
invested in Entergy*

Amerisafe is a specialty provider of Workers' Comp Insurance focused on small to mid-sized employers in hazardous industries. The company markets its products in 31 states and the District of Columbia through independent agencies, as well as through its insurance agency subsidiary. Amerisafe was incorporated in 1985 and is based in DeRidder, Louisiana.

\$3,110,337
invested in Amerisafe*

*As of June 30, 2015

District 1		
Parish	Total Benefits Paid	Number of Benefit Recipients
Jefferson*	\$48,008,051	2,188
Lafourche*	\$11,158,080	655
Orleans*	\$57,596,640	3,779
Plaquemines	\$2,080,056	96
St. Bernard	\$2,941,919	157
St. Tammany	\$26,842,034	1,449
Tangipahoa*	\$27,831,825	1,721
Terrebonne*	\$10,681,477	945

District 2		
Parish	Total Benefits Paid	Number of Benefit Recipients
Ascension*	\$18,938,492	924
Assumption*	\$1,335,507	74
East Baton Rouge*	\$163,370,080	7,783
Iberville*	\$9,164,013	480
Jefferson*	\$48,008,051	2,188
Orleans*	\$57,596,640	3,779
St. Charles*	\$3,383,934	133
St. James	\$1,885,539	91
St. John the Baptist*	\$3,592,531	185
West Baton Rouge*	\$7,344,657	351

District 3		
Parish	Total Benefits Paid	Number of Benefit Recipients
Acadia	\$5,567,654	293
Calcasieu	\$19,950,683	1,238
Cameron	\$137,252	11
Iberia	\$4,864,748	232
Jefferson Davis	\$2,382,590	129
Lafayette	\$29,350,440	1,690
St. Landry*	\$10,405,483	486
St. Martin	\$6,100,336	310
St. Mary	\$2,339,746	122
Vermilion	\$4,273,789	218

District 4		
Parish	Total Benefits Paid	Number of Benefit Recipients
Allen	\$2,063,088	129
Beauregard	\$3,476,565	188
Bienville	\$2,828,522	162
Bossier	\$14,847,911	929
Caddo	\$42,637,440	3,140
Claiborne	\$3,928,404	192
De Soto	\$2,875,086	163
Evangeline	\$4,791,191	253
Natchitoches	\$6,640,270	415
Red River	\$1,659,225	98
Sabine	\$3,179,637	146
St. Landry*	\$10,405,483	486
Union	\$3,587,442	171
Vernon	\$4,842,293	255
Webster	\$5,413,714	314

District 5		
Parish	Total Benefits Paid	Number of Benefit Recipients
Avoyelles	\$13,565,631	708
Caldwell	\$3,250,757	180
Catahoula	\$1,662,091	101
Concordia	\$2,215,176	114
East Carroll	\$552,747	29
East Feliciana*	\$20,219,195	1,028
Franklin	\$4,161,247	234
Grant	\$5,938,869	343
Jackson	\$2,572,174	146
La Salle	\$1,754,686	113
Lincoln	\$11,613,964	715
Madison	\$1,337,745	71
Morehouse	\$2,490,322	139
Ouachita	\$27,198,181	1,778
Rapides	\$38,578,740	2,202
Richland	\$3,882,891	192
St. Landry*	\$10,405,483	486
St. Helena*	\$2,937,122	211
Tangipahoa*	\$27,831,825	1,721
Tensas	\$1,041,688	61
Washington	\$11,198,422	815
West Carroll	\$1,378,592	64
West Feliciana	\$8,806,195	397
Winn	\$1,975,090	102

District 6		
Parish	Total Benefits Paid	Number of Benefit Recipients
Ascension*	\$18,938,492	924
Assumption*	\$1,335,507	74
East Baton Rouge*	\$163,370,080	7,783
East Feliciana*	\$20,219,195	1,028
Iberville*	\$9,164,013	480
Lafourche*	\$11,158,080	655
Livingston	\$35,784,568	1,880
Point Coupee	\$6,770,044	319
St. Charles*	\$3,383,934	133
St. Helena*	\$2,937,122	211
St. John the Baptist*	\$3,592,531	185
Terrebonne*	\$10,681,477	945
West Baton Rouge*	\$7,344,657	351

*Parishes marked with an asterisk cross congressional district lines. Complete benefit and beneficiary data for those parishes are included in each district.

LASERS

the MISSION

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

the VISION

Confidence in our service, assuring financial security for your future

the GOALS

Seek to assure the financial soundness of the System
Ensure our team's ongoing commitment to our core values
Offer exceptional customer service

the CORE VALUES

Highest Ethical Standards
Integrity
Prudent Management

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

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