

Navigating *the Future of Financial* **EXCELLENCE**

2016
Summary
Annual Financial Report

For Fiscal Years Ended
June 30, 2016 and 2015



LASERS
Benefits Louisiana

Louisiana State Employees' Retirement System
A component unit of the State of Louisiana

Letter of Transmittal

October 28, 2016

Dear Members:

It is with great pleasure that I present the Louisiana State Employees' Retirement System (LASERS) Summary Annual Report for the fiscal year ended June 30, 2016. This report provides information derived from our Comprehensive Annual Financial Report (CAFR) on the financial status of your retirement System, while highlighting changes that occurred during the year. More detailed information is provided in our CAFR, which was prepared in accordance with generally accepted accounting principles, and may be viewed on our website at www.lasersonline.org.

Your retirement System continues to be one of the best in the nation. Over the past six years, we have added \$2.7 billion to the value of our fund which exceeds \$10.7 billion and improved our funded ratio by almost 5% to 62.6%. This was another volatile fiscal year where global concerns increased uncertainty in the financial markets which resulted in our investment returns being a -2.4%. However, because the market value of assets can be volatile



Cindy Rougeou
Executive Director

from one year to the next, an asset valuation method is generally used to gradually recognize gains/losses relative to the assumed rate over five years. Actuarially this equates to a gain of 5.4% which was below our target of 7.75%.

I would like to emphasize that LASERS is a long-term investor, relying on broad actuarial analysis. Our thirty year return on the actuarial value of assets, net of investment expenses, is 8.1%. Also, we continue to explore new asset allocation strategies to improve long-term returns. LASERS works closely with its investment consultant to conduct a thorough asset allocation and liability review on an annual basis. Despite continued market volatility, our investment portfolio is well positioned for the future and we will continue to make adjustments when necessary.

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

Sincerely,



Cindy Rougeou
Executive Director

2016 Board of Trustees



Top row, left to right:

Kathy Singleton, *Elected Retired Member*
Judge William Kleinpeter, *Chair, Elected Active Member*
Thomas Bickham, *Elected Active Member*
Janice Lansing, *Vice Chair, Elected Active Member*

Bottom row, left to right:

Lori Pierce, *Elected Active Member*
Beverly Hodges, *Elected Active Member*
Lorry Trotter, *Elected Retired Member*
Virginia Burton, *Elected Retired Member*
Shannon Templet, *Elected Active Member*

Individual photos, left to right:

Commissioner Jay Dardenne, *Division of Administration*
Honorable John Kennedy, *State Treasurer*
Senator Barrow Peacock, *Chair, Senate Committee on Retirement*
Representative Kevin Pearson, *Chair, House Committee on Retirement*

Financial Statements

Volatility in the financial markets is the primary reason for the decrease in Fiduciary Net Position between 2016 and 2015. Combined employer and employee contributions to the System increased between 2016 and 2015 primarily as a result of contributions received from the Harbor Police Retirement System merger which were offset by other factors which included a decrease in covered payroll. Retirement benefits increased because of an increase in the number of retirees and the higher average benefit of newer retirees. The *Statements of Fiduciary Net Position* present LASERS financial position as of June 30, 2016, 2015, and 2014 by reporting the System's assets, liabilities, and resultant net position restricted for the payment of pension benefits. The *Statements of Changes in Fiduciary Net Position* summarize LASERS results of operations for the same periods by reporting the additions to and deductions from fiduciary net position.

Condensed Comparative Statements of Fiduciary Net Position

	2016	2015	2014
Cash and Cash Equivalents	\$ 52,222,180	\$ 72,437,860	\$ 77,729,832
Receivables	155,555,181	146,264,465	111,452,535
Investments	10,639,102,179	11,290,757,431	11,506,188,320
Securities Lending Cash Collateral ¹	1,141,629,464	1,063,660,300	1,107,047,506
Capital Assets	4,331,820	4,304,276	5,127,676
Total Assets	\$ 11,992,840,824	\$ 12,577,424,332	\$ 12,807,545,869
Accounts Payable & Other Liabilities	126,855,228	97,419,486	72,918,697
Securities Lending Obligations ¹	1,142,270,770	1,064,853,920	1,109,773,746
Total Liabilities	\$ 1,269,125,998	\$ 1,162,273,406	\$ 1,182,692,443
Net Position Restricted for Pensions	\$ 10,723,714,826	\$ 11,415,150,926	\$ 11,624,853,426

Condensed Comparative Statements of Changes in Fiduciary Net Position

	2016	2015	2014
Employer Contributions	\$ 729,397,233	\$ 726,678,134	\$ 615,164,022
Employee Contributions	152,233,771	153,281,097	152,993,052
Net Investment Income (Loss)	(296,729,232)	152,809,130	1,770,521,381
Other Income	15,185,502	12,928,989	20,810,679
Total Additions	\$ 600,087,274	\$ 1,045,697,350	\$ 2,559,489,134
Retirement Benefits	1,238,507,932	1,199,079,252	1,167,477,166
Refunds and Transfers of Contributions	35,997,261	38,308,757	77,118,765
Administrative Expenses	15,615,605	15,877,682	14,810,539
Other Postemployment Benefit Expenses	982,858	940,845	1,103,488
Depreciation and Amortization Expenses	419,718	1,193,314	1,724,101
Total Deductions	\$ 1,291,523,374	\$ 1,255,399,850	\$ 1,262,234,059
Net Increase (Decrease)	(691,436,100)	(209,702,500)	1,297,255,075
Net Position Beginning of Year	11,415,150,926	11,624,853,426	10,327,598,351
Net Position End of Year	\$ 10,723,714,826	\$ 11,415,150,926	\$ 11,624,853,426

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

Investment Performance

Global concerns caused another year of great uncertainty in financial markets. International equities, most notably emerging market equities, had the largest impact on performance. LASERS investment portfolio realized a market rate of return on investment assets of -2.4% for the fiscal year ending June 30, 2016.

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 the 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 exceed that, and has traditionally done so during more normal market times. As always, LASERS maintains its commitment to a broadly diversified portfolio and achieving its actuarial target rate of return of 7.75% with the least possible amount of risk. The plan is managed by seasoned professionals, and the investment portfolio is structured to optimize the risk/ return trade-off. The charts illustrate our investment returns and asset allocations.

Annualized Investment Returnsⁱ

As of June 30, 2016

Years	1	3	5	7	10	20
LASERS Total Plan	-2.4%	5.6%	5.9%	9.7%	5.9%	6.9%
S&P 500 Index	4.0%	11.7%	12.1%	14.9%	7.4%	7.9%
Money Weighted Rate of Return ⁱⁱ	-2.6%	5.5%				



ⁱInvestment Performance calculated for periods over two years use monthly returns geometrically linked to calculate annualized "time-weighted" rates of return. Returns are calculated one quarter in arrears. Investment Performance does not include Self-Directed Plan, Optional Retirement Plan Funds, and short-term investments held at LASERS operating bank.

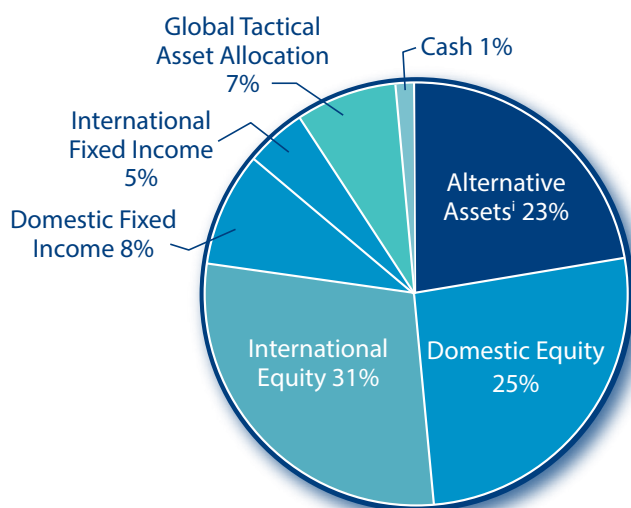
ⁱⁱThe Money Weighted Rate of Return is calculated based on GASB 67 requirements. It is the internal rate of return on all pension plan investments net of pension plan expense and includes the Self-Directed Plan, the Optional Retirement Plan, short-term investments held at LASERS operating bank, and internal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

LASERS Invests in Louisiana

LASERS is proud to support Louisiana by investing in companies that impact local economies. For the fiscal year ended June 30, 2016, LASERS invested more than \$116 million in Louisiana stocks, bonds, and private equity. The following table illustrates the top ten companies that are headquartered in Louisiana in which LASERS has investments.

Company	Louisiana Headquarters	Market Value
 Brown & Root	Baton Rouge	\$5,615,550
 CenturyLink™	Monroe	\$5,132,712
 EPIC PIPING	Baton Rouge	\$5,082,794
 Entergy	New Orleans	\$4,130,872
 Bernhard	Baton Rouge	\$3,451,067
 ATC ENVIRONMENTAL - GEOTECHNICAL BUILDING SCIENCES - MATERIALS TESTING	Lafayette	\$2,879,770
 LAMAR	Baton Rouge	\$1,885,433
 POOLCORP ™	Covington	\$1,053,136
 First NBC Member FDIC	New Orleans	\$904,130
 CONQUEST COMPLETION SERVICES, LLC	Bossier City	\$786,555

Asset Allocation As of June 30, 2016



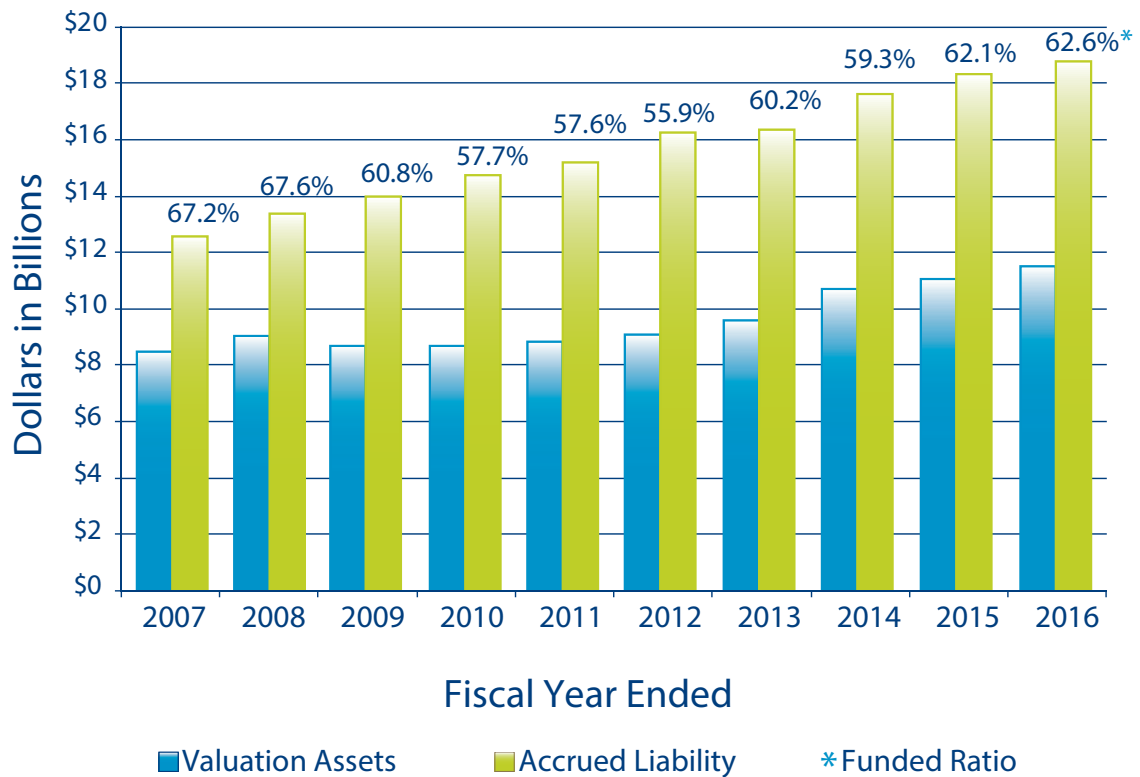
Asset Classes	Target	Actual
Cash	0%	1%
Domestic Equity	25%	25%
International Equity	32%	31%
Domestic Fixed Income	8%	8%
International Fixed Income	6%	5%
Alternative Investments	22%	23%
Global Tactical Asset Allocation	7%	7%
Total	100%	100%

¹Traditional assets include investments such as stocks, bonds, and money market accounts. Alternative assets include all non-traditional investments and are often made through hedge fund or private equity structures. Examples include investments in commodities, energy, real estate, start-up companies, and hedged strategies.

Actuarial Summary

Your retirement benefits are funded by employee contributions, contributions from the State of Louisiana, and cumulative investment earnings. In order to ensure your benefits are available to you, LASERS is constantly evaluating the plan's assets relative to the value of the liabilities. Accrued liabilities are liabilities which have occurred, but have not been paid. For fiscal year ending 2016 our funding ratio increased from 62.1% to 62.6% even though we experienced an investment loss. This is because the asset valuation method used gradually recognizes gains and losses relative to the assumed rate over five years. For this reason, the unfunded accrued liability, the debt owed to the System by the State, increased due to an investment experience loss relative to the assumed rate of 7.75%. The funded ratio is measured by the plans valuation assets divided by the total actuarial accrued liability. The ratio is a measure for evaluating the sufficiency of plan assets to cover the estimated cost of the plan's obligations.

Funding the Retirement Plan



Net Pension Liability of Employers

Total Pension Liability is the actuarial present value of projected benefit payments by a pension plan. The Employers' Net Pension Liability is the portion of Total Pension Liability not covered by plan assets (Plan Fiduciary Net Position) that employers owe the System. The net pension liability of LASERS employers as of June 30, 2016, 2015, and 2014 was as follows:

	2016	2015	2014
Total Pension Liability	\$18,576,266,623	\$18,216,660,456	\$17,877,744,945
Plan Fiduciary Net Position	10,723,714,826	11,415,150,926	11,624,853,426
Employers' Net Pension Liability	\$ 7,852,551,797	\$ 6,801,509,530	\$ 6,252,891,519
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.7%	62.7%	65.0%

Membership Summary

Members Snapshot June 30, 2016 Actuarial Valuation

Active Members		Total Membership	
Average Age	45.5	Active	39,284
Average Years of Service	11.1	Retirees	39,998
Average Annual Salary	\$46,654	Disability Retirees	2,401
DROP Accrual		Survivors	5,802
Average Age	58.2	Terminated-Vested	3,865
Average Annual Benefit	\$32,888	Terminated-Nonvested	52,837
Retired Members		DROP Accrual	1,609
Average Age	69.2		
Average Annual Benefit	\$24,168		

Membership Retiring During the Fiscal Year Ended June 30, 2016

Years Credited by Service Category	< 5	5-10	10-15	15-20	20-25	25-30	30+	All Members
Average Monthly Benefit	\$ 578	\$ 727	\$1,033	\$1,635	\$2,294	\$3,074	\$3,997	\$2,566
Final Average Compensation	\$1,061	\$4,100	\$3,593	\$3,919	\$4,547	\$4,797	\$5,329	\$4,557
Number of Retirees	2	93	265	276	307	368	513	1,824

Legislative Update

2016 Legislation

The 2016 Regular Session of the Louisiana Legislature resulted in the passage of the following legislation which impacts the Plan administered by LASERS.

Acts 93 and 512 each authorized a cost-of-living adjustment (COLA) or permanent benefit increase (PBI) of 1.5 percent for eligible LASERS retirees and beneficiaries. Because granting of the increase was based on the amount of funds available in the Experience Account, only one COLA was granted.

Act 94 will include future noninvestment related administrative expenses in calculating the required employer contribution rate.

Act 95 clarifies provisions created in Act 399 of 2014; reduces the amortization period for actuarial gains and losses from 30 years to 20 years once the system is 70% funded (rather than 85% funded); and provides for the re-amortization of schedules of gains and losses in the 2019 – 2020 fiscal year and every fifth fiscal year thereafter.

Act 176 provides that actuarial notes for any bills pre-filed at least 45 days prior to a regular session of the legislature shall be completed and filed at least five days prior to the convening of that session.

Act 353 requires that actuarial notes include the estimated fiscal impact on governmental entities, including the effect on federal, state, and local funds.

Act 410 requires the executive director of each of the state and statewide retirement systems to file annual personal financial disclosure statements.

Act 460 requires the Legislative Auditor to prepare, at least every five years, comparative summaries of each system's actuarial assumptions and funded ratio and the auditor's findings as to the appropriateness of each system's assumptions.

Act 615 makes state museum police officers and state park wardens eligible for the Hazardous Duty Services Plan.

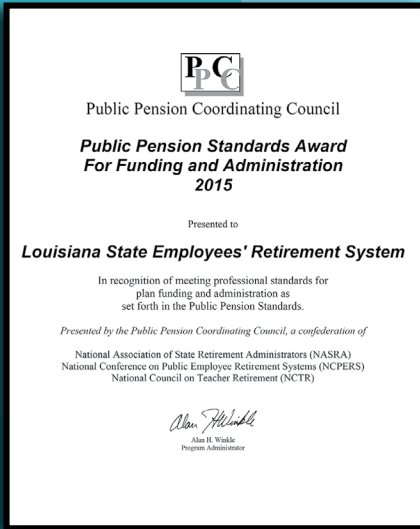
Act 621 replaces the Chairman of the House Retirement Committee with a member of the House Retirement Committee appointed by the Speaker of the House of Representatives, on each state and statewide retirement system board.

Acts 639 and 679 upon passage of Constitutional Amendment on the November 8, 2016 ballot, will establish the Revenue Stabilization Trust Fund, to be funded by certain mineral revenue and certain corporate franchise and income taxes. The Acts may provide annual appropriations to pay the initial Unfunded Accrued Liabilities (UALs) of LASERS and the Teachers' Retirement System of Louisiana (TRSL). Funds shall be allocated proportionally based on each system's Initial Unfunded Accrued Liability (IUAL) balance.



GFOA Award

The Government Finance Officers Association of the United States of America and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to LASERS for its Popular Annual Financial Report for the fiscal year ended June 30, 2015. This prestigious national award recognizes excellence for readily understood financial reports that are less technical in nature, while providing interesting financial, actuarial, and historical information. This is the seventeenth consecutive year that LASERS has received this award.



Public Pension Standards Award

LASERS received the Public Pension Coordinating Council's (PPCC) 2015 Public Pension Standards Award in recognition of achieving high professional standards in the areas of plan design and administration, benefits, actuarial valuations, financial reporting, investments, and disclosures to members. LASERS is proud to have received this award for the twelfth consecutive year.

The LASERS Mission

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

The LASERS Vision

Confidence in our service, assuring financial security for your future

LASERS Core Values

Highest Ethical Standards
Integrity
Prudent Management

LASERS

Contact Information

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

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

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

Web: www.lasersonline.org

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