

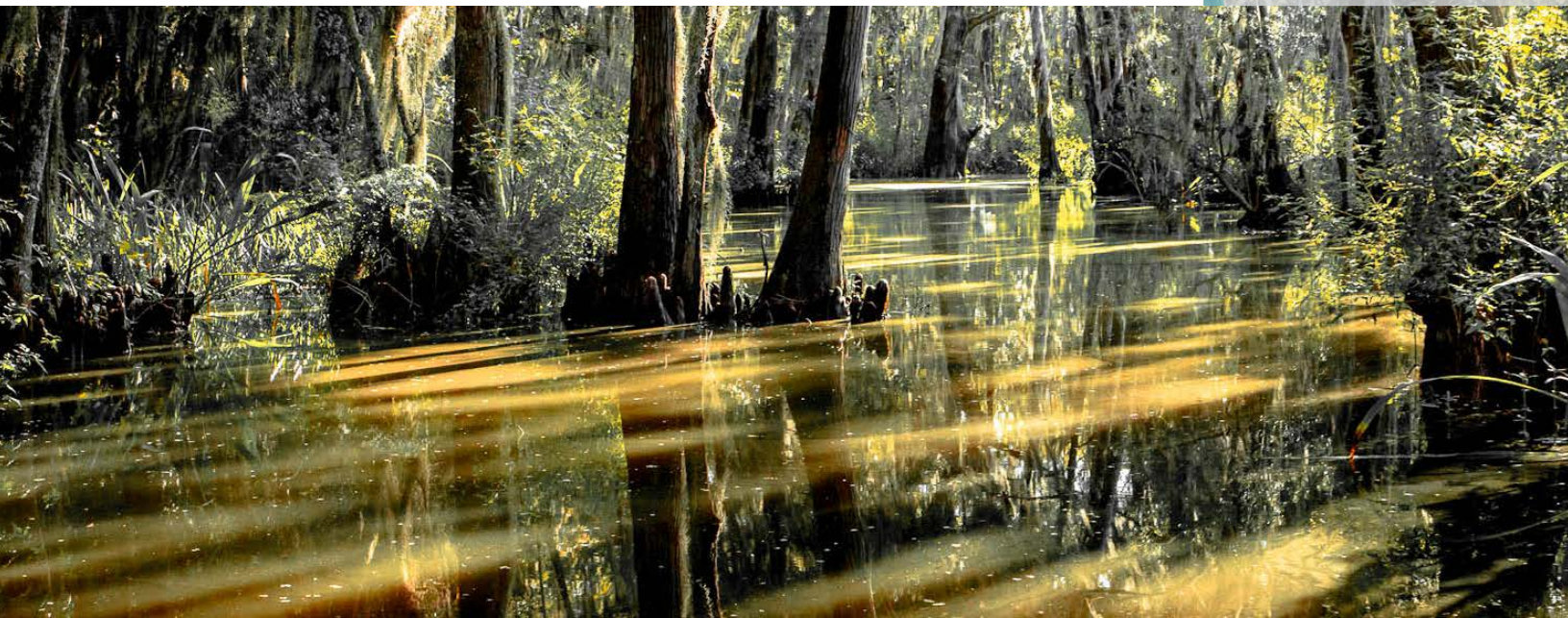
# 2017

## Summary Annual Financial Report

For Fiscal Years Ended  
June 30, 2017 and 2016



## Investing in the **Bayou State's** People & Economy



**LASERS** Benefits Louisiana.

Louisiana State Employees' Retirement System

A component unit of the State of Louisiana

See photo credits on back cover



# Letter of Transmittal



October 27, 2017

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, 2017. This report provides information derived from our Comprehensive Annual Financial Report (CAFR) on the financial status of your retirement System, while highlighting changes that occurred during the year. More detailed information is provided in our CAFR, which was prepared in accordance with generally accepted accounting principles, and may be viewed on our website at [www.lasersonline.org](http://www.lasersonline.org).



**Cindy Rougeou**  
Executive Director

Your retirement System continues to be one of the best in the nation. Over the past five years, we have added \$3 billion in valuation assets to our fund, which exceeds \$11.9 billion and improved our funded ratio by 7.8% to 63.7%.<sup>i</sup> LASERS commitment to a globally diversified portfolio, with a focus on long-term returns, was exemplified this year, and produced superior results. For the fiscal year ending June 30, 2017, LASERS investment portfolio realized a market rate of return on investment assets of 15.8%, ranking as one of the highest performances in the history of the System, as well as one of the highest performances in the nation among our peers. In addition, the unfunded accrued liability (UAL), the debt owed the System by the state, decreased this year

due to a reduction of principal from amortization payments and changes in non-investment actuarial assumptions. Actuarially this equates to a gain of 7.6% which was slightly below our target of 7.75%.

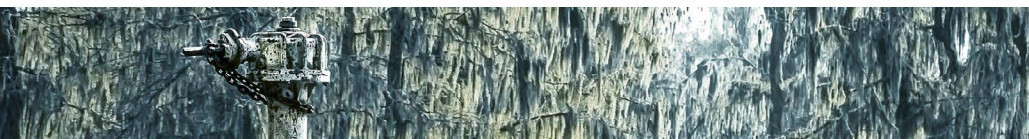
I would like to emphasize that LASERS is a long-term investor, relying on broad actuarial analysis. Our thirty-year compounded average return on the actuarial value of assets, net of investment expenses, exceeds 8.0%. In addition, we continue our commitment to a broadly diversified portfolio and seek to achieve results greater than our actuarial target rate of return with the least amount of risk. Carefully underwritten and conservative assumptions for future expected returns have been adopted, and the investment portfolio is structured to optimize current allocations in all. Despite continued market volatility, our investment portfolio is well positioned for the future and we will continue to make adjustments when necessary.

Our partnership with stakeholders strengthens our commitment to the System's continuous progression of excellence, as we strive to protect the financial security of LASERS members. LASERS success is critical to working families and retirees across the State. LASERS Benefits Louisiana.

Sincerely,

Cindy Rougeou  
Executive Director

<sup>i</sup>The \$11.9 billion in valuation assets was determined by LASERS actuary in the June 30, 2017 Actuarial Valuation which was calculated differently than the \$11.8 billion in Net Position Restricted for Pensions in LASERS June, 30, 2017 audited financial statements.



## 2017 Board of Trustees

### Top row, left to right:

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

### Bottom row, left to right:

Lori Pierce, *Vice Chair, 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 Ron Henson, *State Treasurer*  
Senator Barrow Peacock, *Chair, Senate Committee on Retirement*  
Representative Kevin Pearson, *Chair, House Committee on Retirement*



Improvements in the financial markets are the primary reason for the increase in Fiduciary Net Position between 2017 and 2016. Cash and cash equivalents increased between 2016 and 2017 due to a replacement of a repurchase sweep account with an interest bearing demand deposit account for cash balances held at LASERS operating bank. Retirement benefits increased because of an increase in the number of retirees and the higher average benefit of newer retirees. Combined employer and employee contributions to the System decreased due to reductions in the employer contribution rate, covered payroll, and income from legislative acts. The *Statements of Fiduciary Net Position* present LASERS financial position as of June 30, 2017, 2016, and 2015 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

	2017	2016	2015
Cash and Cash Equivalents	\$ 197,912,884	\$ 52,222,180	\$ 72,437,860
Receivables	158,166,249	155,555,181	146,264,465
Investments	11,491,499,206	10,639,102,179	11,290,757,431
Securities Lending Cash Collateral <sup>1</sup>	1,239,682,923	1,141,629,464	1,063,660,300
Capital Assets	3,855,740	4,331,820	4,304,276
<b>Total Assets</b>	<b>\$ 13,091,117,002</b>	<b>\$ 11,992,840,824</b>	<b>\$ 12,577,424,332</b>
Accounts Payable & Other Liabilities	98,268,951	126,855,228	97,419,486
Securities Lending Obligations <sup>1</sup>	1,239,572,201	1,142,270,770	1,064,853,920
<b>Total Liabilities</b>	<b>\$ 1,337,841,152</b>	<b>\$ 1,269,125,998</b>	<b>\$ 1,162,273,406</b>
<b>Net Position Restricted for Pensions</b>	<b>\$ 11,753,275,850</b>	<b>\$ 10,723,714,826</b>	<b>\$ 11,415,150,926</b>

## Condensed Comparative Statements of Changes in Fiduciary Net Position

	2017	2016	2015
Employer Contributions	\$ 675,584,000	\$ 729,397,233	\$ 726,678,134
Employee Contributions	149,931,242	152,233,771	153,281,097
Net Investment Income (Loss)	1,520,600,699	(296,729,232)	152,809,130
Other Income	14,049,005	15,185,502	12,928,989
<b>Total Additions</b>	<b>\$ 2,360,164,946</b>	<b>\$ 600,087,274</b>	<b>\$ 1,045,697,350</b>
Retirement Benefits	1,274,461,022	1,238,507,932	1,199,079,252
Refunds and Transfers of Contributions	37,606,040	35,997,261	38,308,757
Administrative Expenses	17,074,984	15,615,605	15,877,682
Other Postemployment Benefit Expenses	904,975	982,858	940,845
Depreciation and Amortization Expenses	556,901	419,718	1,193,314
<b>Total Deductions</b>	<b>\$ 1,330,603,922</b>	<b>\$ 1,291,523,374</b>	<b>\$ 1,255,399,850</b>
<b>Net Increase (Decrease)</b>	<b>1,029,561,024</b>	<b>(691,436,100)</b>	<b>(209,702,500)</b>
<b>Net Position Beginning of Year</b>	<b>10,723,714,826</b>	<b>11,415,150,926</b>	<b>11,624,853,426</b>
<b>Net Position End of Year</b>	<b>\$ 11,753,275,850</b>	<b>\$ 10,723,714,826</b>	<b>\$ 11,415,150,926</b>

<sup>1</sup> Securities lending, or stock lending, refers to the lending of securities by one party to another. The terms of the loan will be governed by a "Securities Lending Agreement," which requires that the borrower 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.



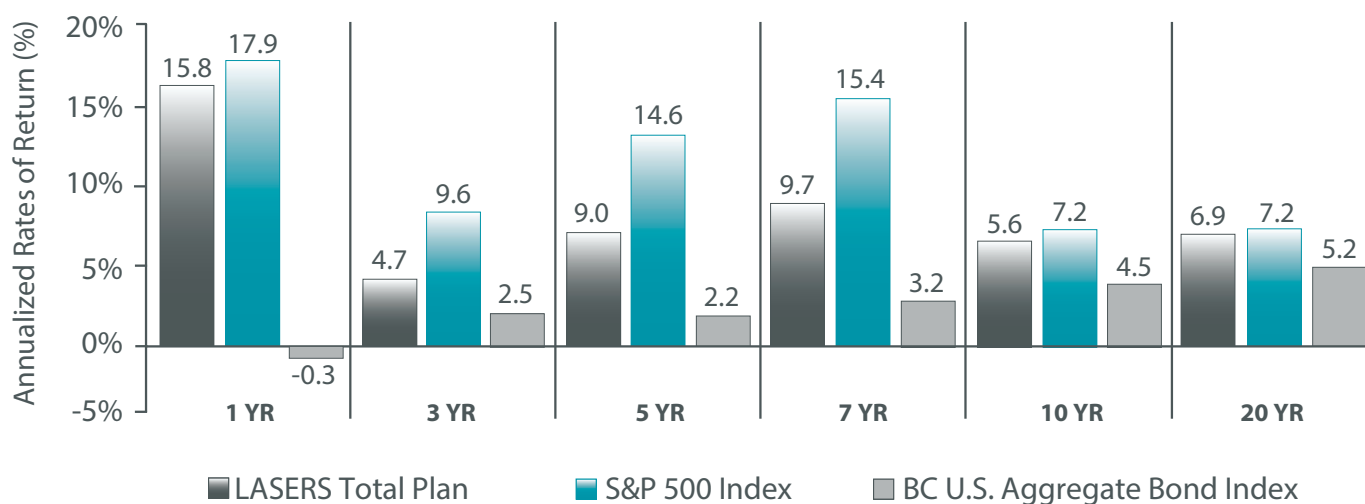
LASERS commitment to a globally diversified portfolio, with a focus on long-term returns was exemplified this year, and produced superior results. For the fiscal year ended June 30, 2017, the total investment portfolio realized a market rate of return on investment assets of 15.8%, ranking as one of the highest performances in the history of the System and one of the highest in the nation among our peers.

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. Our long-term TUCS rankings continue to be at the median, while our one-year ranking puts LASERS in the top third percentile of other similar sized public pension plans.<sup>i</sup> 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. The charts illustrate our investment returns and asset allocations.

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

As of June 30, 2017

Years	1	3	5	7	10	20
LASERS Total Plan	15.8%	4.7%	9.0%	9.7%	5.6%	6.9%
S&P 500 Index	17.9%	9.6%	14.6%	15.4%	7.2%	7.2%
BC U.S. Aggregate Bond Index	-0.3%	2.5%	2.2%	3.2%	4.5%	5.2%



<sup>i</sup>TUCS rankings were as of August 22, 2017.

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

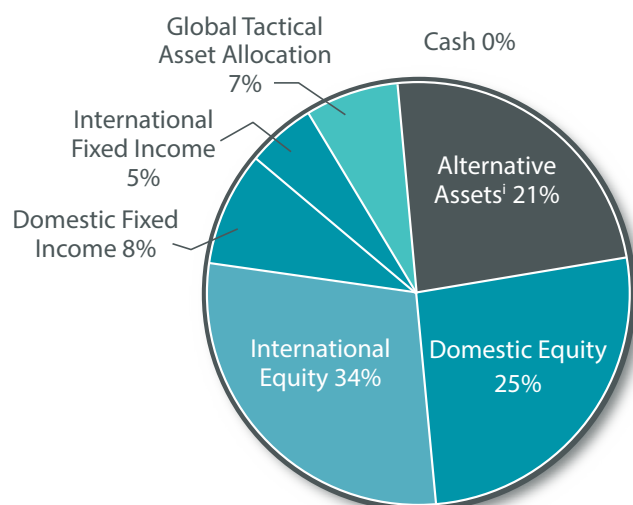


# LASERS Invests in Louisiana

LASERS is proud to support Louisiana by investing in companies that impact local economies. For the fiscal year ended June 30, 2017, LASERS invested more than \$221 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
 <b>Brown &amp; Root</b>	Baton Rouge	\$ 9,533,970
 <b>Bernhard</b>	New Orleans	\$ 8,070,667
 <b>ATC</b> <small>ENVIRONMENTAL • GEOTECHNICAL BUILDING SCIENCES • MATERIALS TESTING</small>	Lafayette	\$ 8,040,723
 <b>EPIC</b> <small>PIPING</small>	Baton Rouge	\$ 6,647,282
 <b>CenturyLink</b> <sup>™</sup>	Monroe	\$ 4,845,320
 <b>Entergy</b> <sup>®</sup>	New Orleans	\$ 2,562,506
 <b>LAMAR</b>	Baton Rouge	\$ 1,791,544
 <b>POOLCORP</b> <sup>™</sup>	Covington	\$ 1,269,756
 <b>amedisys</b> <small>HOME HEALTH • HOSPICE • PERSONAL CARE</small>	Baton Rouge	\$ 716,034
 <b>Origin Bank.</b>	Choudrant	\$ 600,000

## Asset Allocation As of June 30, 2017



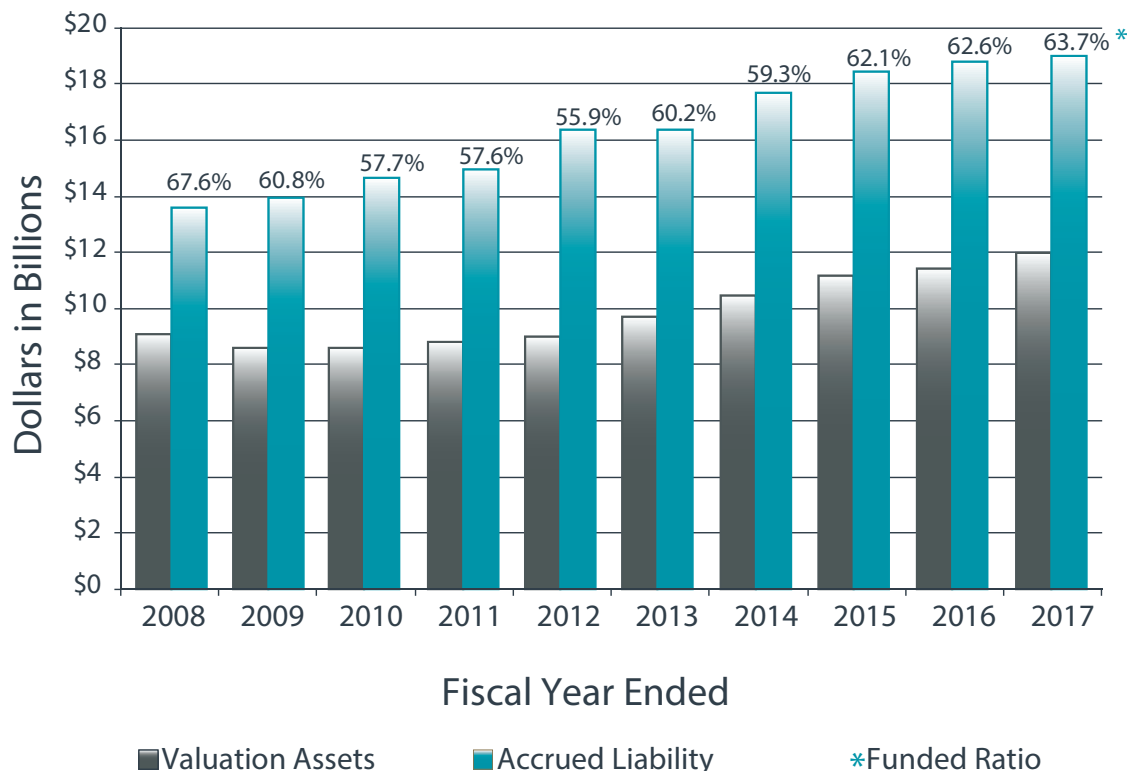
Asset Class	Target	Actual
Cash	0%	0%
Domestic Equity	25%	25%
International Equity	32%	34%
Domestic Fixed Income	8%	8%
International Fixed Income	6%	5%
Alternative Investments	22%	21%
Global Tactical Asset	7%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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



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 2017, our funding ratio increased from 62.6% to 63.7%, primarily a result of amortization payments reducing principal and a change in non-investment actuarial assumptions. 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, 2017, 2016, and 2015 was as follows:

	2017	2016	2015
Total Pension Liability	\$18,792,105,561	\$18,576,266,623	\$18,216,660,456
Plan Fiduciary Net Position	11,753,275,850	10,723,714,826	11,415,150,926
Employers' Net Pension Liability	\$ 7,038,829,711	\$ 7,852,551,797	\$ 6,801,509,530
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	62.5%	57.7%	62.7%

# Membership Summary



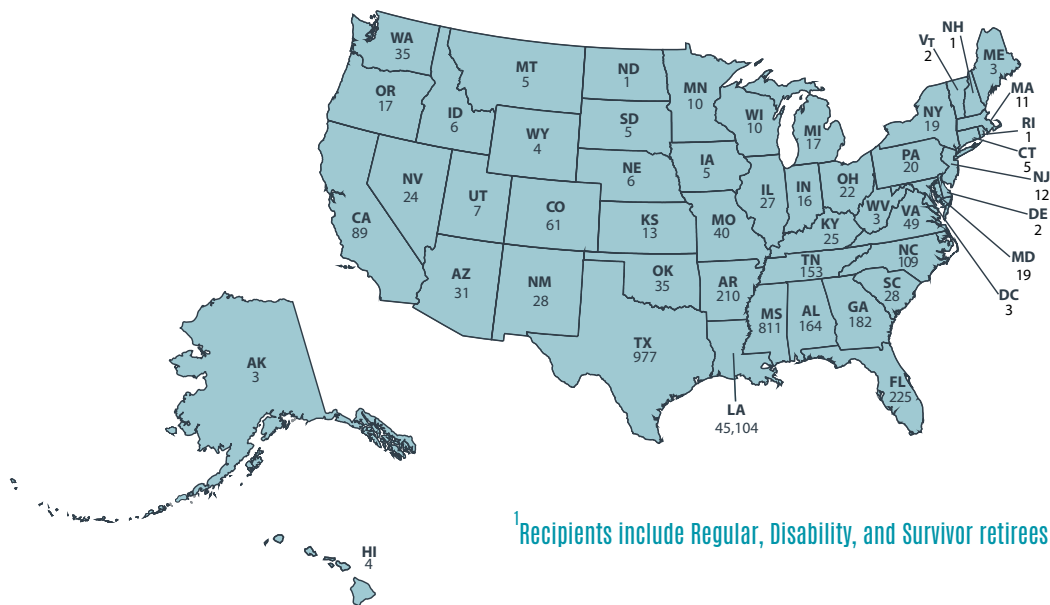
## Members Snapshot June 30, 2017 Actuarial Valuation

Active Members		Total Membership	
Average Age	45.5	Active	39,055
Average Years of Service	11.0	Retirees	40,482
Average Annual Salary	\$46,369	Disability Retirees	2,325
DROP Accrual		Survivors	5,872
Average Age	58.2	Terminated-Vested	3,794
Average Annual Benefit	\$32,672	Terminated-Nonvested	53,573
Retired Members		DROP Accrual	1,520
Average Age	69.5		
Average Annual Benefit	\$24,625		

## Membership Retiring During the Fiscal Year Ended June 30, 2017

Years Credited by Service Category	< 5	5-10	10-15	15-20	20-25	25-30	30+	All Members
Average Monthly Benefit	\$ 859	\$ 831	\$1,137	\$1,641	\$2,382	\$3,205	\$4,254	\$2,679
Final Average Monthly Compensation	\$2,672	\$3,970	\$3,905	\$3,941	\$4,780	\$4,933	\$5,619	\$4,735
Number of Retirees	2	93	241	257	285	381	443	1,702

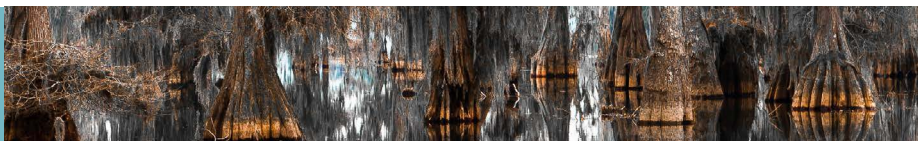
## Location of LASERS Benefit Recipients<sup>1</sup>



American Samoa	1
Australia	1
Bulgaria	1
Canada	3
Colombia	1
France	1
Great Britain	1
India	1
Ireland	1
Korea	1
Mexico	1
Panama	1
Philippines	2
Puerto Rico	1
Spain	1
Sweden	1
Thailand	1
<b>TOTAL</b>	<b>20</b>

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

# Legislative Update

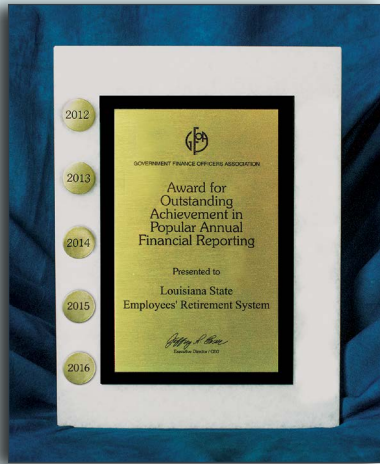


## 2017 Legislation

The 2017 Regular Session of the Louisiana Legislature resulted in the passage of the following legislation which impacts the Plan administered by LASERS.

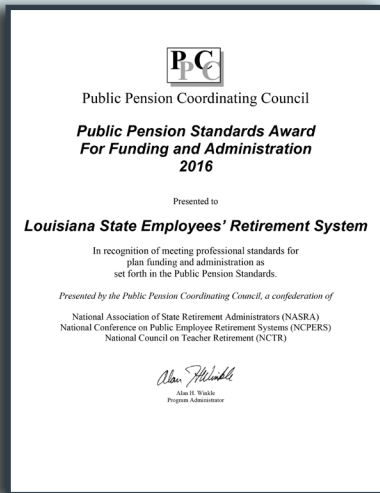
**Acts 366** clarifies that legislative staff authorized by the Chairs of the House and Senate Retirement Committees may attend executive sessions of state and statewide retirement system board meetings. It also provides that a person who has been found in violation of the Ethics Code in a matter involving the misuse of public funds shall be ineligible to serve as a retirement system trustee.

**Act 285** provides for correction of membership enrollment errors in all state and statewide retirement systems. Within 30 days of discovery of an error, the process of correction must be initiated. The employer must pay any amount necessary to the correct retirement system to provide service credit if the amount transferred is insufficient. The accrual rate of the correct system is used to calculate the employee's benefit. 6



## 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, 2016. 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 eighteenth consecutive year that LASERS has received this award.



## Public Pension Standards Award

LASERS received the Public Pension Coordinating Council's (PPCC) 2016 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 thirteenth consecutive year.

*Photos provided by LASERS members and beneficiaries. Originals may have been altered for design purposes.*

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## 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

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