

2013-2014

**Summary Annual
Financial Report**

For Fiscal Years Ended
June 30, 2014 and 2013

Your **Valuing Future Security**

LASERS

Louisiana State Employees'
Retirement System

A component unit of the State of Louisiana

Iris, Photos Courtesy of Louisiana Office of Tourism

Letter Of Transmittal

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, 2014. 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 performing in the nation. Over the past five years, we have added approximately \$5 billion to the value of our fund which now exceeds \$11 billion; the highest in our history. For the second year in a row, we have had double digit market returns and we attribute this to a well-diversified asset allocation across asset classes and geographies. Specifically this year, strong performance in the domestic and international equity markets contributed to LASERS investment portfolio experiencing an 18.8% gain in market value. This performance resulted in the System being ranked in the top ten percent of all public pension plans with market values greater than \$1 billion, according to Wilshire's Trust Universe Comparison Service (TUCS). Actuarially this equates to a gain of 13.5% which was above our target of 7.75%.

This year our Board of Trustees reduced LASERS actuarially assumed rate of return to 7.75%. This reflects

a trend that public pension systems are seeing nationally to adopt more conservative return assumptions. Our Board was very careful with the timing of this change because the reduced rate would increase our unfunded accrued liability (UAL), the debt owed by the State, and did not want to add additional stress to the State. As a result of this change and a change in actuarial cost methods our funded ratio decreased from 60.2% to 59.3%.

I would like to emphasize that LASERS is a long-term investor, relying on broad actuarial analysis. 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



2014 Board Of Trustees



Individual photos, left to right:

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

Top row, left to right:

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

Bottom row, left to right:

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

Financial Statements

Improvements in the financial markets are the primary reason for the increase in Fiduciary Net Position for 2014 and 2013. Employer and employee contributions to the System decreased between 2014 and 2013 likely as a result of fewer active employees caused by the State's privatization of several state agencies and the resulting reduction in workforce. Refunds and transfers out of the System increased because of higher distribution requests by employees affected by the privatization. Retirement benefits increased because of 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, 2014, 2013, and 2012 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

	2014	2013	2012
Cash and Cash Equivalents	\$ 77,729,832	\$ 62,005,498	\$ 76,484,826
Receivables	111,571,052	106,101,183	202,859,767
Investments	11,506,396,982	10,228,944,629	9,299,615,012
Securities Lending Cash Collateral Held ⁱ	1,107,047,506	963,415,924	921,932,039
Capital Assets	5,127,676	6,373,829	8,106,259
Total Assets	\$ 12,807,873,048	\$ 11,366,841,063	\$ 10,508,997,903
Accounts Payable & Other Liabilities	73,245,876	67,756,826	61,782,973
Securities Lending Obligations ⁱ	1,109,773,746	971,485,886	931,440,588
Total Liabilities	\$ 1,183,019,622	\$ 1,039,242,712	\$ 993,223,561
Net Position Restricted for Pensions	\$ 11,624,853,426	\$ 10,327,598,351	\$ 9,515,774,342

Condensed Comparative Statements of Changes in Fiduciary Net Position

	2014	2013	2012
Employer Contributions	\$ 615,164,022	\$ 649,029,708	\$ 637,285,920
Employee Contributions	152,993,052	173,357,802	192,795,057
Net Investment Income (Loss)	1,770,521,381	1,104,747,865	(11,299,929)
Other Income	20,810,679	33,806,894	32,441,258
Total Additions	\$ 2,559,489,134	\$ 1,960,942,269	\$ 851,222,306
Retirement Benefits	1,167,477,166	1,070,410,859	978,971,262
Refunds and Transfers of Contributions	77,118,765	61,522,162	43,221,742
Administrative Expenses	14,810,539	14,258,832	13,810,702
Other Postemployment Benefit Expenses	1,103,488	982,754	999,650
Depreciation and Amortization Expenses	1,724,101	1,943,653	1,941,249
Total Deductions	\$ 1,262,234,059	\$ 1,149,118,260	\$ 1,038,944,605
Net Increase (Decrease)	1,297,255,075	811,824,009	(187,722,299)
Net Position Beginning of Year	10,327,598,351	9,515,774,342	9,703,496,641
Net Position End of Year	\$ 11,624,853,426	\$ 10,327,598,351	\$ 9,515,774,342

ⁱSecurities 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.

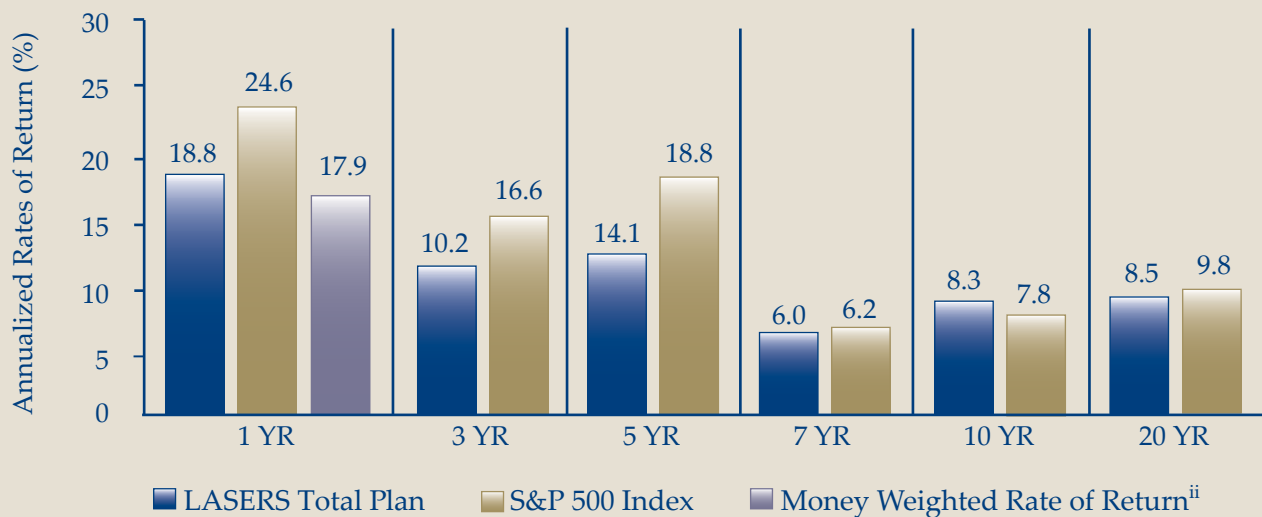
Investment Performance

LASERS continues to be one of the best performing plans in the nation. Over the past five years, we have added approximately \$5 billion to the value of our fund which now exceeds \$11 billion. For the second year in a row, LASERS has earned a double digit market return. Strong performance in the domestic and international equity markets contributed to LASERS experiencing an 18.8% gain in market value of investment assets for the year ended June 30, 2014. This performance ranked in the top ten of 90 public pension plans with market values greater than \$1 billion in the Wilshire Trust Universe Comparison Service (TUCS). 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, 2014

Total Plan Years	1	3	5	7	10	20
LASERS Total Plan	18.8 %	10.2 %	14.1 %	6.0 %	8.3 %	8.5 %
S&P 500 Index	24.6 %	16.6 %	18.8 %	6.2 %	7.8 %	9.8 %
Money Weighted Rate of Return ⁱⁱ	17.9 %					






ⁱ 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.

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

LASERS Invests in Louisiana

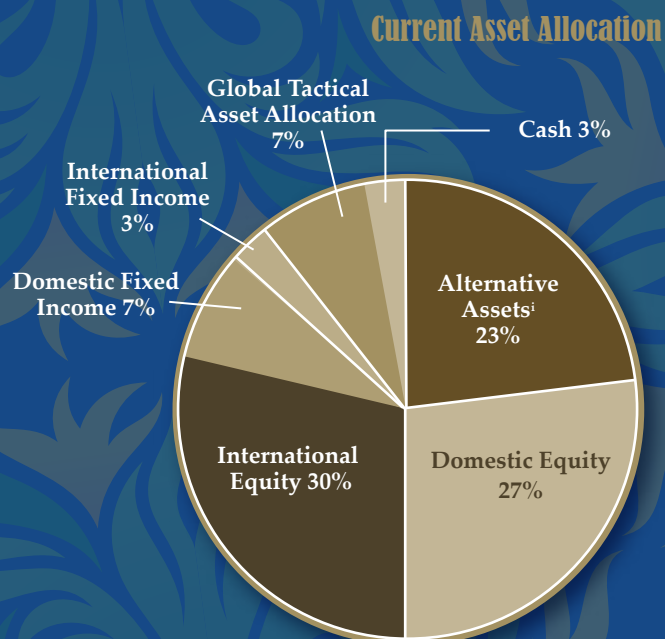
LASERS is proud to support Louisiana by investing in companies that impact local economies. For the fiscal year ended June 30, 2014, LASERS invested more than \$115 million in Louisiana stocks, bonds, and private equity. The following table illustrates the top ten companies that are headquartered in Louisiana in which LASERS has investments.

Company	Employees (as of 12/31/13)	Louisiana Headquarter	Market Value
 CenturyLink™	47,000	Monroe	\$11,546,552
 Entergy	14,625	New Orleans	\$ 5,253,760
 TIDEWATER	8,900	New Orleans	\$ 3,459,402
 STONE ENERGY	409	Lafayette	\$ 2,426,669
 LAMAR	3,000	Baton Rouge	\$ 2,240,783
 ALBEMARLE®	4,231	Baton Rouge	\$ 1,530,100
 First NBC	501	New Orleans	\$ 1,318,000
 POOLCORP™	3,400	Covington	\$ 1,182,104
 PHI Inc	2,746	Lafayette	\$ 1,032,667
 CLECO®	1,205	Pineville	\$ 954,990

Asset Allocation

As of June 30, 2014

Asset Classes	Target	Current
Cash	0%	3%
Domestic Equity	27%	26%
International Equity	30%	29%
Domestic Fixed Income	11%	11%
International Fixed Income	2%	3%
Alternative Investments	23%	22%
Global Tactical Asset Allocation	7%	6%
Total	100%	100%

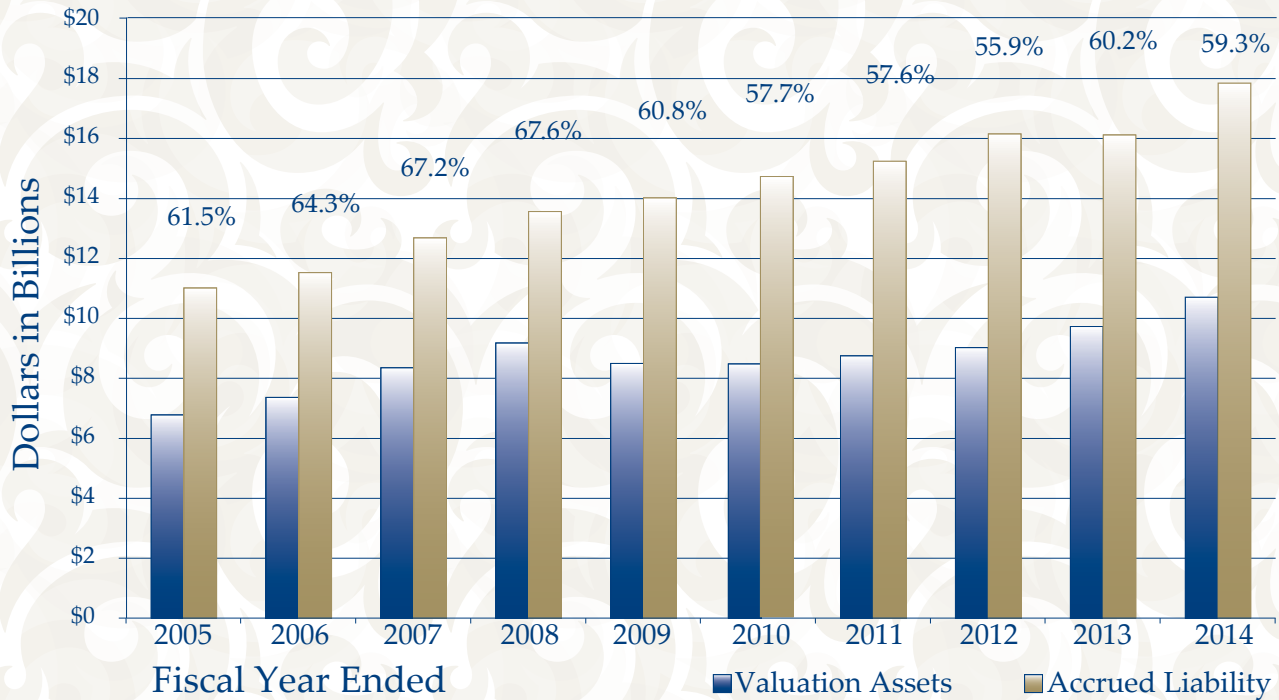


ⁱ Traditional assets include investments such as stocks, bonds and money market accounts. Alternative assets include all non-traditional investments and are often made through hedge fund or private equity structures. Examples include investments in commodities, energy, real estate, start-up companies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

Actuarial Summary

Funding the Retirement Plan

Your retirement benefits are funded by employee contributions, contributions from the State of Louisiana, and cumulative investment earnings. In order to ensure your benefits are available to you, LASERS is constantly evaluating the plan's assets relative to the value of the liabilities. Accrued liabilities are liabilities which have occurred, but have not been paid. A net investment experience gain, an experience gain from sources other than investment earnings, and a change in asset valuation method resulted in LASERS funding ratio decreasing from 60.2% to 59.3% at the end of fiscal year 2014.



Membership Summary

Members Snapshot June 30, 2014 Actuarial Valuation

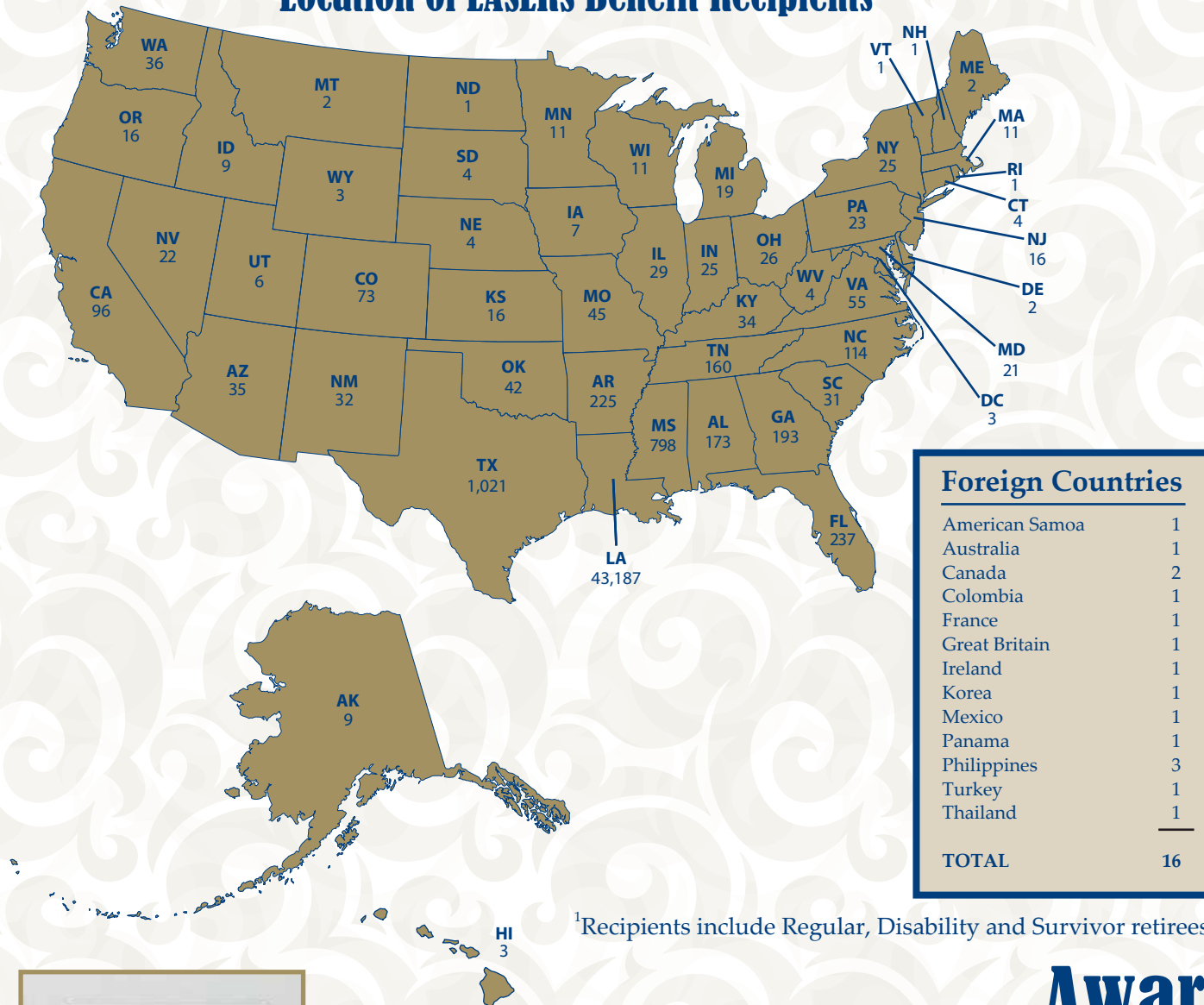
Active Members	
Average Age	45.4
Average Years of Service	11.1
Average Annual Salary	\$44,761
DROP Accrual	
Average Age	57.6
Average Annual Benefit	\$33,454
Retired Members	
Average Age	68.6
Average Annual Benefit	\$22,888

Total Membership	
Active	40,321
Retirees	38,675
Disability Retirees	2,506
Survivors	5,759
Terminated-Vested	4,558
Terminated-Nonvested	52,042
DROP Accrual	1,838

Members Retiring During the Fiscal Year Ended June 30, 2014

Years Credited by Service Category	< 5	5-10	10-15	15-20	20-25	25-30	30+	All Members
Average Monthly Benefit	\$787	\$620	\$987	\$1,528	\$1,991	\$3,088	\$3,851	\$2,358
Final Average Compensation	\$1,600	\$3,466	\$3,422	\$3,779	\$4,307	\$4,678	\$5,163	\$4,339
Number of Retirees	2	116	353	331	731	628	518	2,679

Location of LASERS Benefit Recipients¹



¹Recipients include Regular, Disability and Survivor retirees

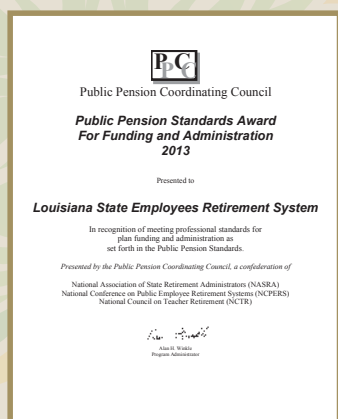
Awards

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, 2013. 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 fifteenth consecutive year that LASERS has received this award.

Public Pension Standards Award

LASERS received the Public Pension Coordinating Council's (PPCC) 2013 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 tenth consecutive year.



Legislative Update - The 2014 Regular Session of the Louisiana Legislature resulted in the passage of a number of changes to the Plan administered by LASERS.

Act 102

Effective July 1, 2014, granted a 1.5 percent cost-of-living adjustment to eligible retirees and beneficiaries. A retiree was eligible for the COLA if, by June 30, 2014, they had been retired at least one year and were at least age 60, unless they were a disability retiree. The amount on which the COLA is based was limited to the first \$96,931 of the member's retirement benefit.

Act 226

Changes retirement eligibility to five years of service at age 62, for those hired on or after July 1, 2015. It does not apply to members of the Hazardous Duty Services Plan.

Act 399

Effective July 1, 2014, is a complex piece of legislation designed to direct more investment earnings to pay System debt and tie the granting of future COLAs to the funded level of the System. It applies not only to LASERS, but to the other state retirement systems. It will result in the value of only one COLA being placed in the Experience Account until the System is 80 percent funded. Excess earnings that were previously put into the Experience Account will be applied to System debt. COLAs will be limited to every other year until the System is 85 percent funded and will be limited to the first \$60,000 of the retirement benefit (indexed to the CPI-U as of July 1, 2015). The amount of future COLAs will range from 1.5% to 3.0%, depending on the system funded level and investment returns, and limited by the CPI-U.

Act 571

Effective June 30, 2014, changes the actuarial funding method for LASERS from projected unit credit to entry age normal.

Act 648

Provides for enrollment of new hires of the Harbor Police Department of the Port of New Orleans in the LASERS Hazardous Duty Services Plan starting July 1, 2014. It also authorizes a cooperative endeavor agreement to transfer the administration of the Harbor Police Retirement System to LASERS, effective July 1, 2015, upon approval of the agreement by the Public Retirement Systems' Actuarial Committee.

Act 852

Effective June 30, 2014, makes technical corrections dealing with the joint and survivor annuity option, the employee contribution rate for members working after DROP, and survivor benefits for physically handicapped and mentally disabled children.

Act 852

Provides enhanced retroactive retirement benefits to certain Adult Probation & Parole Officers employed prior to July 1, 2014. The benefits are funded through the Adult Probation & Parole Officer Retirement Fund.

Act 55

Appropriates about \$4.3 million in surplus funds to LASERS to be applied to the Initial Unfunded Accrued Liability of the system.

LASERS

Contact Information

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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

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