



2018

# LASERS

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Summary Annual Financial Report  
For Fiscal Years Ended June 30, 2018 and 2017

**LASERS** Benefits Louisiana.

Louisiana State Employees' Retirement System

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A component unit of the State of Louisiana

# Letter of Transmittal

October 25, 2018

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, 2018. 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. The CAFR, prepared in accordance with generally accepted accounting principles, provides information that is more detailed. It is available 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 \$2.6 billion in valuation assets to our fund, which now exceeds \$12.3 billion<sup>1</sup>. We have also improved our funded ratio by 4.5%, to 64.7%. LASERS forward-thinking approach and discipline in allocating assets for the long term continues to yield successful results. For the fiscal year ending June 30, 2018, LASERS investment portfolio realized a market rate of return on investment assets of 9.5%, ranking us in the top quartile of other similar sized public pensions for the one-year period. Our longer-term ten-year ranking continues to be above the median. 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 7.5%, which was slightly below our target of 7.7%.

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, is approximately 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. LASERS adoption of carefully underwritten and conservative assumptions for future expected returns and a structured investment portfolio are designed to optimize current allocations in all asset classes. Despite continued market volatility, our investment portfolio is well positioned for the future and adjustments will be made 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>1</sup>The \$12.39 billion in valuation assets was determined by LASERS actuary in the June 30, 2018 Actuarial Valuation which was calculated differently than the \$12.28 billion in Net Position Restricted for Pensions in LASERS June 30, 2018 audited financial statements.

## Top row, left to right:

Shannon Templet, *Elected Active Member*  
Janice Lansing, *Elected Active Member*  
Lorry Trotter, *Elected Retired Member*

## Bottom row, left to right:

Virginia Burton, *Vice Chair, Elected Retired Member*  
Lori Pierce, *Elected Active Member*  
Judge William Kleinpeter, *Elected Active Member*  
Thomas Bickham, *Elected Active Member*  
Beverly Hodges, *Board Chair, Elected Active Member*  
Barbara McManus, *Elected Retired Member*



## Individual photos, left to right:

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

# 2018 Board of Trustees

# Financial Statements

Improvements in the financial markets are the primary reason for the increase in Fiduciary Net Position for the years presented. Cash and cash equivalents were larger in 2018 and 2017 over 2016 due to the replacement of a repurchase sweep account with an interest bearing demand deposit account for cash balances held at LASERS operating bank. The implementation of GASB 75 resulted in an increase in 2018 of other postemployment benefit expenses over prior years as well as the inclusion of deferred inflows and outflows of resources for the first time. 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 increased in 2018 due to an increase in the employer contribution rate, an increase in covered payroll, and an increase in income from legislative acts. The *Statements of Fiduciary Net Position* present LASERS financial position as of June 30, 2018, 2017, and 2016 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

	2018	2017	2016
Cash and Cash Equivalents	\$ 176,067,072	\$ 197,912,884	\$ 52,222,180
Receivables	194,000,480	158,166,249	155,555,181
Investments	12,012,945,909	11,491,499,206	10,639,102,179
Securities Lending Cash Collateral <sup>1</sup>	1,545,232,539	1,239,682,923	1,141,629,464
Capital Assets	5,936,548	3,855,740	4,331,820
<b>Total Assets</b>	<b>\$ 13,934,182,548</b>	<b>\$ 13,091,117,002</b>	<b>\$ 11,992,840,824</b>
<b>Deferred Outflows of Resources</b>	<b>315,536</b>	<b>-</b>	<b>-</b>
Accounts Payable & Other Liabilities	104,402,293	98,268,951	126,855,228
Securities Lending Obligations <sup>1</sup>	1,545,177,985	1,239,572,201	1,142,270,770
<b>Total Liabilities</b>	<b>\$ 1,649,580,278</b>	<b>\$ 1,337,841,152</b>	<b>\$ 1,269,125,998</b>
<b>Deferred Inflows of Resources</b>	<b>1,204,688</b>	<b>-</b>	<b>-</b>
<b>Net Position Restricted for Pensions</b>	<b>\$ 12,283,713,118</b>	<b>\$ 11,753,275,850</b>	<b>\$ 10,723,714,826</b>

## Condensed Comparative Statements of Changes in Fiduciary Net Position

	2018	2017	2016
Employer Contributions	\$ 729,479,704	\$ 675,584,000	\$ 729,397,233
Employee Contributions	152,189,709	149,931,242	152,233,771
Net Investment Income (Loss)	1,011,537,508	1,520,600,699	(296,729,232)
Other Income	15,198,732	14,049,005	15,185,502
<b>Total Additions</b>	<b>\$ 1,908,405,653</b>	<b>\$ 2,360,164,946</b>	<b>\$ 600,087,274</b>
Retirement Benefits	1,317,635,325	1,274,461,022	1,238,507,932
Refunds and Transfers of Contributions	35,191,508	37,606,040	35,997,261
Administrative Expenses	14,732,258	17,074,984	15,615,605
Other Postemployment Benefit Expenses	9,525,495	904,975	982,858
Depreciation and Amortization Expenses	883,799	556,901	419,718
<b>Total Deductions</b>	<b>\$ 1,377,968,385</b>	<b>\$ 1,330,603,922</b>	<b>\$ 1,291,523,374</b>
<b>Net Increase (Decrease)</b>	<b>530,437,268</b>	<b>1,029,561,024</b>	<b>(691,436,100)</b>
<b>Net Position Beginning of Year</b>	<b>11,753,275,850</b>	<b>10,723,714,826</b>	<b>11,415,150,926</b>
<b>Net Position End of Year</b>	<b>\$ 12,283,713,118</b>	<b>\$ 11,753,275,850</b>	<b>\$ 10,723,714,826</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.

# Investment Performance

LASERS approach of being forward-thinking and disciplined in allocating assets for the long term continues to yield successful results. For the fiscal year ended June 30, 2018, the total investment portfolio realized a market rate of return on investment assets of 9.5%.

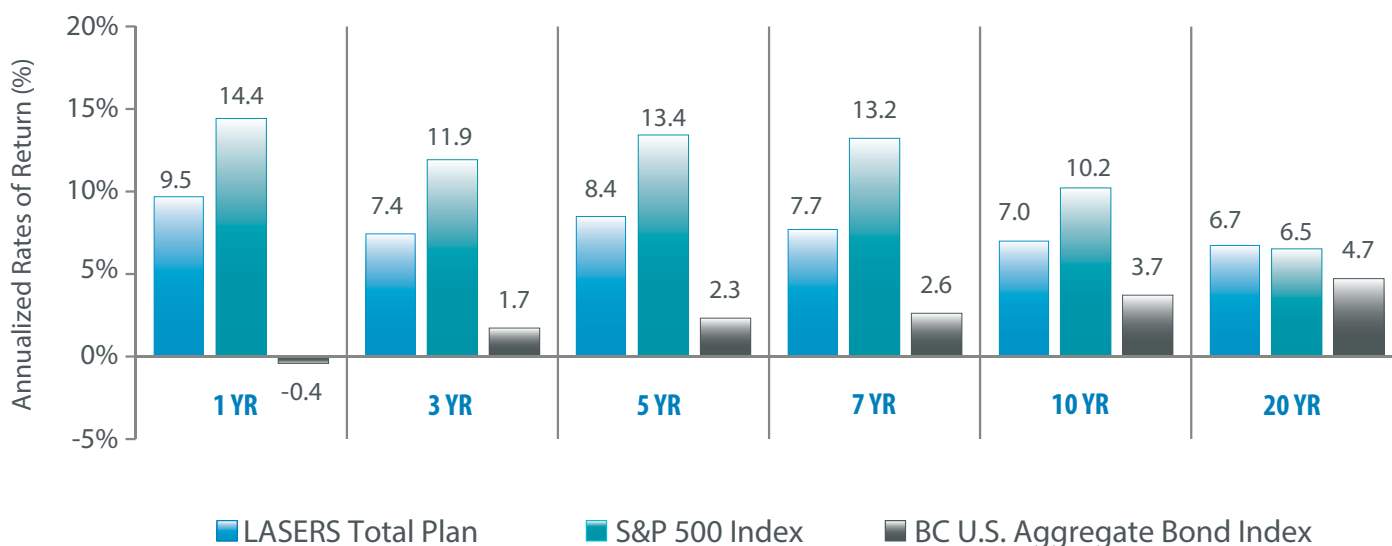
LASERS compares itself against other public pension plans with market values greater than \$1 billion in the Trust Universe Comparison Service (TUCS), with a focus on long-term results. Our one-year ranking places LASERS in the top

quartile of other similar sized public pension plan<sup>i</sup>, and our longer-term ten-year ranking continues to be above the median. As always, LASERS maintains its commitment to a broadly diversified portfolio and seeks to achieve results greater than its actuarial target rate of return of 7.7% 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, 2018

Years	1	3	5	7	10	20
LASERS Total Plan	9.5%	7.4%	8.4%	7.7%	7.0%	6.7%
S&P 500 Index	14.4%	11.9%	13.4%	13.2%	10.2%	6.5%
BC U.S. Aggregate Bond Index	-0.4%	1.7%	2.3%	2.6%	3.7%	4.7%












<sup>i</sup>Based on Wilshire's TUCS rankings as of August 23, 2018.

<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.

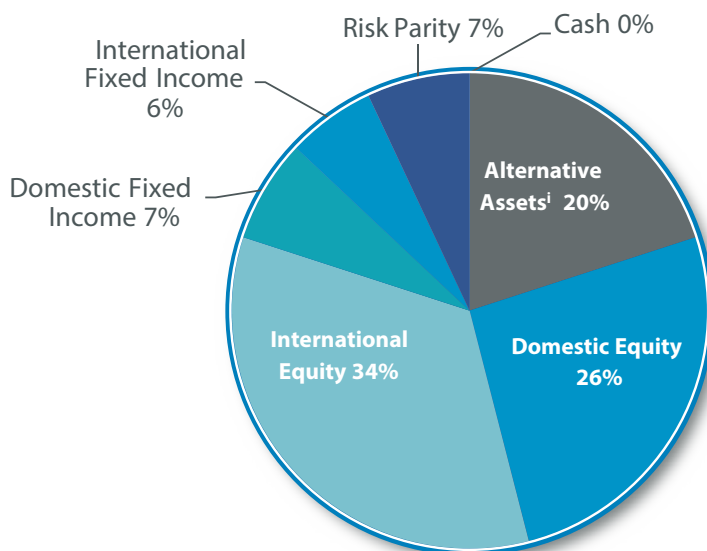
# LASERS Invests In Louisiana

LASERS supports Louisiana by investing in companies that impact local economies. For the fiscal year ended June 30, 2018, LASERS invested more than \$252 million in Louisiana

stocks, bonds, and private markets. The table below illustrates the top ten companies headquartered in Louisiana in which LASERS invests.

Company	Louisiana Headquarters	Market Value
 <b>Brown &amp; Root</b>	Baton Rouge	\$ 9,533,969
<b>Bernhard</b>	New Orleans	\$ 9,443,625
 <b>ATC</b> <small>ENVIRONMENTAL • GEOTECHNICAL BUILDING SCIENCES • MATERIALS TESTING</small>	Lafayette	\$ 8,268,223
 <b>EPIC</b> <small>PIPING</small>	Baton Rouge	\$ 7,251,580
 <b>Entergy</b>	New Orleans	\$ 4,121,910
 <b>CenturyLink</b> ™	Monroe	\$ 2,010,040
 <b>LAMAR</b>	Baton Rouge	\$ 1,682,360
 <b>POOLCORP</b> ™	Covington	\$ 1,413,562
 <b>LHC</b> <small>GROUP</small>	Lafayette	\$ 1,121,229
 <b>amedisys</b> <small>HOME HEALTH • HOSPICE • PERSONAL CARE</small>	Baton Rouge	\$ 1,093,888

## Asset Allocation As of June 30, 2018



Asset Class	Target	Actual
Cash	0%	0%
Domestic Equity	23%	26%
International Equity	32%	34%
Domestic Fixed Income	6%	7%
International Fixed Income	10%	6%
Alternative Investments	22%	20%
Risk Parity	7%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

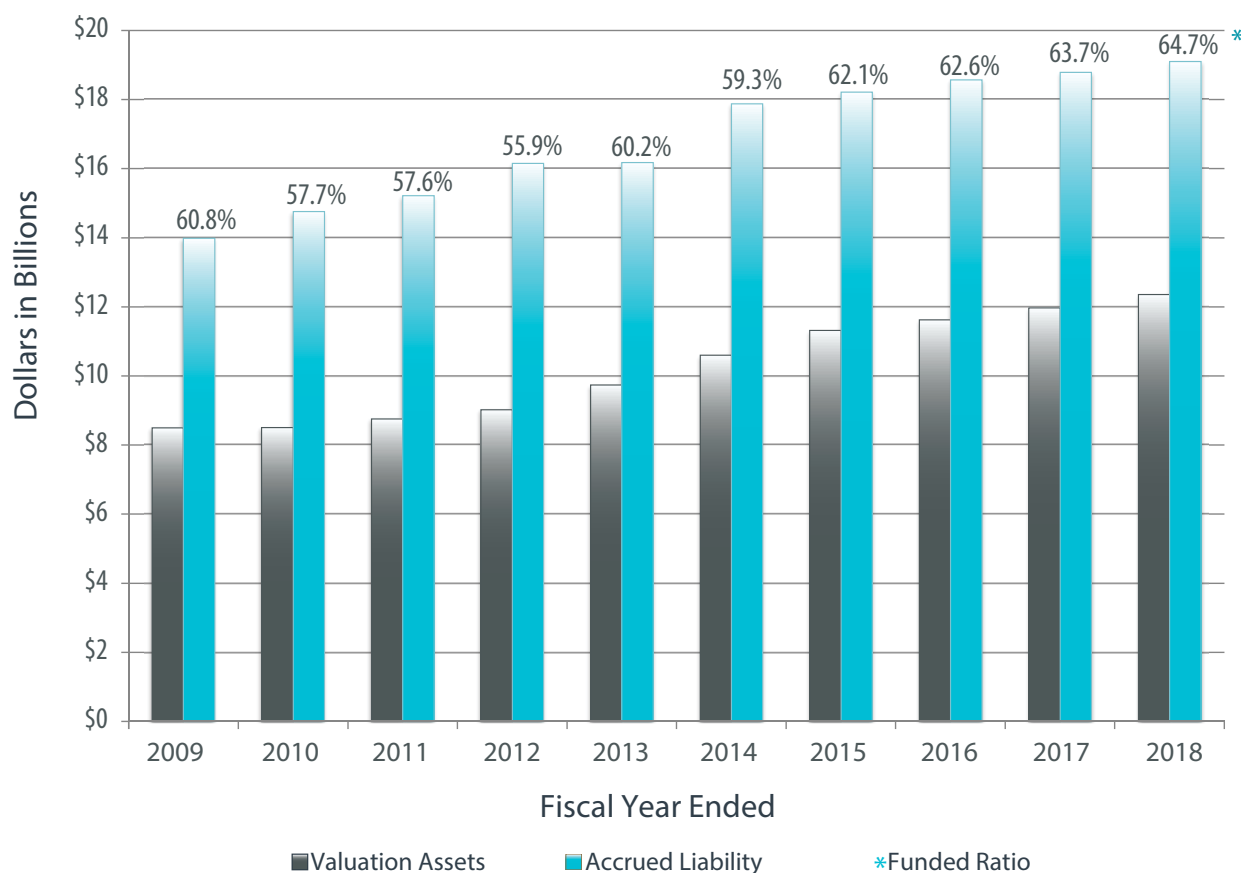
<sup>1</sup>Traditional assets include investments such as stocks, bonds, and money market accounts. Alternative assets include all non-traditional investments and are often made through hedge fund or private market structures. Examples include investments in commodities, energy, real estate, start-up 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 2018, our funding ratio increased from 63.7% to 64.7%, 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, 2018, 2017, and 2016 were as follows:

	2018	2017	2016
Total Pension Liability	\$19,103,640,164	\$18,792,105,561	\$18,576,266,623
Plan Fiduciary Net Position	12,283,713,118	11,753,275,850	10,723,714,826
Employers' Net Pension Liability	\$ 6,819,927,046	\$ 7,038,829,711	\$ 7,852,551,797
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.3%	62.5%	57.7%

# Membership Summary

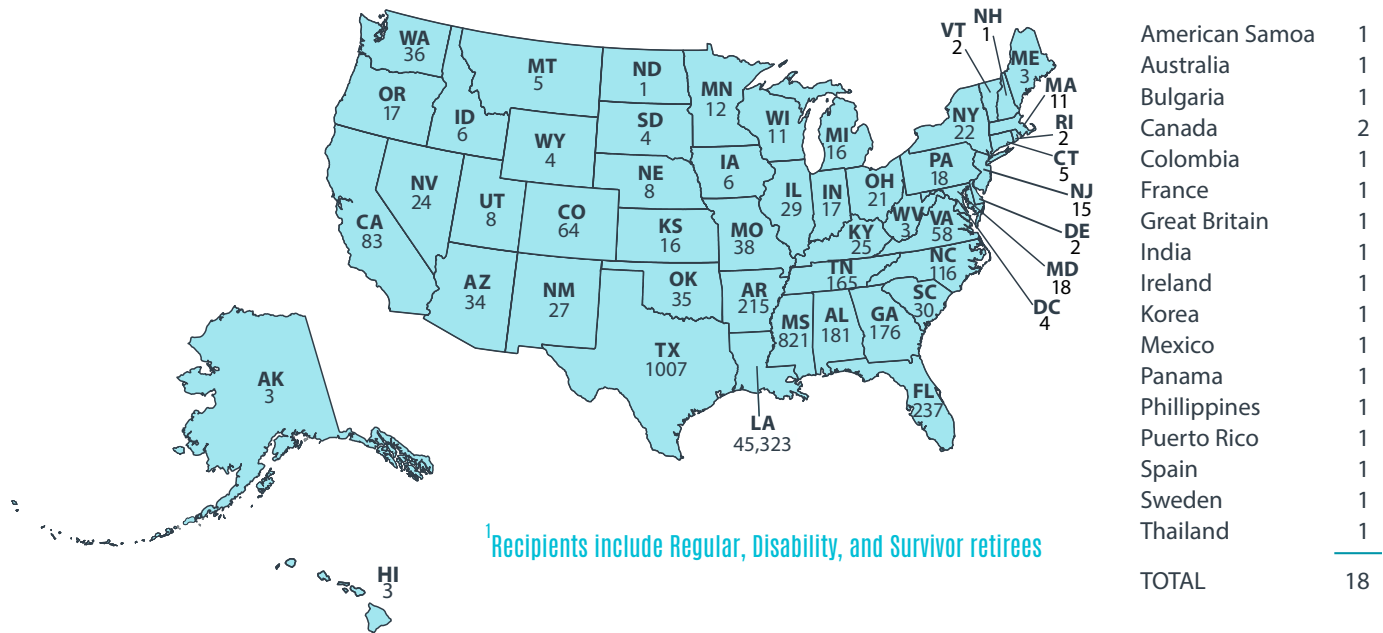
## Members Snapshot June 30, 2018 Actuarial Valuation

Active Members		Total Membership	
Average Age	45.4	Active	39,293
Average Years of Service	10.9	Retirees	40,832
Average Annual Salary	\$45,900	Disability Retirees	2,234
		Survivors	5,940
DROP Accrual		Terminated-Vested	3,720
Average Age	58.4	Terminated-Nonvested	54,370
Average Annual Benefit	\$33,267	DROP Accrual	1,398
Retired Members			
Average Age	69.9		
Average Annual Benefit	\$25,067		

## Membership Retiring During the Fiscal Year Ended June 30, 2018

Years Credited by Service Category	< 5	5-10	10-15	15-20	20-25	25-30	30+	All Members
Average Monthly Benefit	\$ 286	\$ 628	\$1,045	\$1,659	\$2,437	\$3,364	\$4,312	\$2,663
Final Average Monthly Compensation	\$3,694	\$3,801	\$3,655	\$4,068	\$4,768	\$5,140	\$5,621	\$4,719
Number of Retirees	2	62	297	220	286	377	384	1,628

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



## Legislative Update

### 2018 Legislation

The 2018 Regular Session of the Louisiana Legislature resulted in the passage of the following legislation which impacts the Plans administered by LASERS.

**Act 595** provides for a disability benefit equal to 100 percent of final average compensation for members of the Hazardous Duty, Corrections Primary, Corrections Secondary, Wildlife and Harbor Police plans who are totally and permanently disabled in the line of duty by an intentional act of violence.

**Act 224** provides for a 100 percent survivor benefit for Hazardous Duty Plan members killed by an intentional act of violence.

**Act 215** adds firefighters in the Department of Agriculture and Forestry to the Hazardous Duty Plan.

**Act 59** appropriates \$3,676,833 in State surplus funds to LASERS to be applied to the initial unfunded accrued liability.

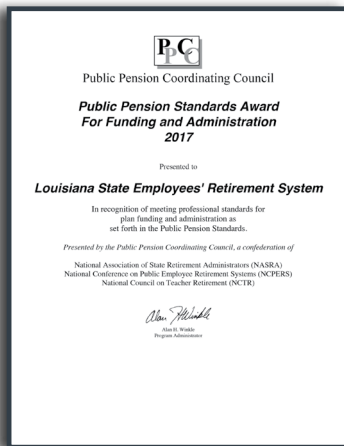
**Act 399** provides that the chair and vice chair of PRSAC shall rotate between the Speaker of the House of Representatives, or his designee, and the President of the Senate, or his designee, biennially.

# Awards GFOA & Public Pension Standards



## 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, 2017. 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 nineteenth consecutive year that LASERS has received this award.



## Public Pension Standards Award

LASERS received the Public Pension Coordinating Council's (PPCC) 2017 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 fourteenth 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

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