

Assurance Report

1912 Internally Managed Portfolio Review

November 15, 2018

Cindy Rougeou, LASERS Executive Director
The LASERS Audit Committee

EXECUTIVE SUMMARY

The guidelines, processes, and procedures in place to manage and monitor LASERS internally managed portfolios were evaluated and appear to be effective. The evaluated controls within the LASERS Investment Division for this process were sufficient to protect LASERS interests. There were no issues identified during this review.

BACKGROUND

This was a planned engagement on the fiscal year end (FYE) 2019 Audit Plan. The fieldwork for this engagement was completed on November 15, 2018.

Act 1301 of the 1997 Legislative Session mandated that LASERS "shall invest an amount equal to at least ten percent of the system's total equity portfolio in one or more index funds which seek to replicate the performance of the chosen index or indices." In addition, Act 352 of the 2007 Legislative Session mandates that LASERS invest a portion of assets in a terror-free international equity fund.

Currently, LASERS Investments Division manages the following indices internally:

- Standard & Poor's (S&P) 400 Index Fund
- S&P 500 Index Fund
- S&P 600 Index Fund
- LASERS Morgan Stanley Capital International (MSCI) World Ex-USA Index Fund
- LASERS Terror-Free International Fund

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Cindy Rougeou, Executive Director

The total market value as of June 30, 2018 for the internally managed portfolios was approximately \$3.74 billion and LASERS total plan assets were approximately \$11.49 billion. Internally managed portfolios account for approximately 32.6 percent of LASERS total portfolio.

SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this engagement included the review of investment activities and controls related to LASERS Internally Managed Portfolio.

The primary objectives of this engagement were to determine if:

- Adequate internal controls exist related to the management of the internal portfolio and LASERS assets are properly safeguarded.
- The portfolio is in compliance with established policies, plans, procedures, laws and regulations.

Procedures used to complete this engagement included:

- Interviewing LASERS staff.
- Researching and examining controls, policies, and laws.
- Observing LASERS Investments processes.
- Conducting other inquiries necessary to achieve the outlined objectives.


This engagement was conducted in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

FOLLOW-UP

No follow-up is necessary.



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Auditor



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