

# LASERS Benefits Louisiana.

Louisiana State Employees'  
Retirement System



## Board Book



**NOTICE AND AGENDA**  
***Audit Committee Meeting***  
***Thursday, March 21, 2019***  
***1:00 p.m.***

The Audit Committee will meet in the fourth floor conference room of the Retirement Systems Building, 8401 United Plaza Boulevard, Baton Rouge, Louisiana.

**Please silence your cell phone before meeting begins.**

**I. CALL TO ORDER**

**II. ROLL CALL**

**III. PUBLIC COMMENT** (allowed upon request before action items)

**IV. REGULAR BUSINESS**

1. Approval of the minutes of the December 13, 2018, meeting of the Audit Committee  
**(Action Item)**  
*Virginia Burton, Chair*
2. FYE 2019 Audit Projects Status Update **(Action Item)**  
*Ryan Babin, Audit Director*

**V. NEW BUSINESS**

1. Semi-Annual Review of Open Items Report  
*Ryan Babin, Audit Director*
2. Audit Committee Fundamentals Manual (separate handout)  
*Ryan Babin, Audit Director*
3. Customer Service Evaluation Survey Results  
*Ryan Babin, Audit Director*
4. Reports to be Reviewed  
*Ryan Babin, Audit Director*
5. Audit Director's Comments  
*Ryan Babin, Audit Director*

6. Executive Director's Comments  
*Cindy Rougeou, Executive Director*

7. Auditor Review with Committee  
*Ryan Babin, Audit Director*

**VI. OTHER BUSINESS**

**VII. ADJOURNMENT**

**NOTE:** If special accommodations are needed, please contact this office prior to meeting.

**Louisiana State Employees' Retirement System  
Audit Committee Meeting  
Thursday, December 13, 2018**

The Audit Committee of the Louisiana State Employees' Retirement System met on Thursday, December 13, 2018, in the fourth floor conference room of the Retirement Systems Building located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana.

Ms. Virginia Burton, serving as Chair of the Committee in Ms. Lansing's absence, called the meeting to order at 12:30 p.m. Roll was called by Ms. Abby Partin, recording secretary.

\*\*\*\*\*

**Members Present:** Mr. Thomas Bickham, Ms. Virginia Burton, Judge William Kleinpeter, Mr. Rick McGimsey\*, Ms. Barbara McManus, Ms. Lori Pierce

**Members Absent:** Ms. Janice Lansing

**Staff Present:** Mr. Ryan Babin, Audit Director; Ms. Cindy Rougeou, Executive Director; Mr. Trey Boudreaux, Chief Administrative Officer; Ms. Tina Grant, Executive Counsel; Mr. Artie Fillastre, Chief Fiscal Officer; Ms. Beth Gordon, Executive Staff Officer; Ms. Abby Partin, recording secretary

**Also Present:** Ms. Shannon Templet, Ms. Amy Mathews, Ms. Lorry Trotter

\*\*\*\*\*

A quorum was present and the meeting opened for business.

**Public Comment**

Ms. Burton called for public comment. No public comments were made.

**Regular Business**

Ms. Burton called for approval of the minutes of the September 27, 2018 Audit Committee Meeting. **Mr. Bickham moved, seconded by Judge Kleinpeter, to approve the minutes. With no objection or discussion, the motion passed.**

Mr. Babin reviewed the Fiscal Year Ending 2019 Audit Projects Status Report. Mr. Babin highlighted the JD Edwards User Security Review, stating that this project had been paused while an external audit was performed and it will now resume again. Mr. Babin also highlighted the Optimus Project Implementation (Phase 3), stating it was nearing the point of a recommendation being provided to management for review. He stated the overall status of the projects are on target and moving forward as expected.

**New Business**

Mr. Babin reviewed the Employer Pension Audit Report (GASB 68) for FYE 2018, which received an unqualified opinion – the highest level opinion that can be achieved. There were

no deficiencies or instances of non-compliance. **Judge Kleinpeter moved, seconded by Ms. McManus, to recommend the Board accept the Employer Pension Audit Report (FASB 68) for FYE 2018, as presented. With no objection or discussion, the motion carried.**

Mr. Babin presented the annual closed items report.

Mr. Babin reviewed the Audit Committee satisfaction survey results. Mr. Babin stated all responses received were positive, and no additional comments were made.

Mr. Babin reported that the quarterly customer service evaluation survey received no responses.

\*Mr. McGimsey entered the meeting at 12:38 p.m.

Mr. Babin reviewed the executive summary of audit reports. The report included summaries of the following projects:

- 1708 Optimus Project Implementation
- 1907 University of Louisiana at Monroe (ULM) (External Review)
- 1909 Department of Public Safety (DPS) (External Review)
- 1912 Internally Managed Portfolio Review
- 1921 Audit Charter and Policy Compliance Review

Mr. Babin stated that he reports to a level within the organization that allows the internal audit activity to fulfill its responsibilities. Furthermore, he confirms to the audit committee that the internal audit activity continues to maintain its organizational independence.

#### **Audit Director's Comments**

Mr. Babin had no additional comments.

#### **Executive Director's Comments**

Ms. Rougeou stated that it is easy to work with Mr. Babin and LASERS is lucky to have him. She asked that Mr. Babin re-establish contact with Southern University's audit division to address outstanding closed items. Ms. Rougeou is optimistic about the meeting, as Southern University has a new Audit Director and she hopes things can move forward in a positive direction.

#### **Other Business**

No other business was discussed.

#### **Adjournment**

The meeting adjourned at 12:50 p.m.

## FYE 2019 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
01	Member Services	Annuitant Verifications (International and Over Age 95)	<b>Project 1816 - COMPLETED.</b>	Sep-Oct	10/10/2017	8/3/2018
02	Member Services	Disability	<p>This project will cover:</p> <ul style="list-style-type: none"> <li>- Convert to Regular Retiree</li> <li>- Approvals and Appeals</li> <li>- Physician Management</li> <li>- Recertification</li> <li>- Return to Work.</li> </ul> <p>Note: Calculations are not included since this is reviewed annually and income verification not included since it was reviewed during FYE 2014.</p> <p><b>Project 1804 - COMPLETED.</b></p>	Jan-Mar	3/5/2018	6/22/2018
03	All Divisions	Optimus Project Implementation (Phase 1)	<p>This is Phase 1 of the Imaging replacement project and audit's involvement will vary. Potential areas of focus include: data migration, user security/roles, and system functionality testing.</p> <p><b>Project 1708 - COMPLETED.</b></p>	N/A	8/2/2016	11/9/2018
04	Fiscal	Agency Contribution Reporting	<b>Project 1801 - fieldwork being performed.</b>	Oct-Dec	3/14/2018	
05	Investments/Fiscal	Investment manager review	<p>Bernhard Capital Partners is being reviewed.</p> <p><b>Project 1823 - COMPLETED.</b></p>	Jan-Mar	4/16/2018	7/5/2018

## FYE 2019 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
06	Fiscal/IT	JD Edwards User Security Review	This will be a joint project between Audit, Fiscal, and IT. Due to the specialized nature of this project, a third party company may be utilized to co-source an audit of the security. In addition, an evaluation of automated tools available to manage and audit security will be performed. <b>Project 1802 - fieldwork being performed.</b> <b>Update: The initial audit by the third party vendor has been completed and LASERS is in the process of addressing the exceptions identified. This is scheduled for completion in the fall of 2018. Once the exceptions have been addressed, a follow up audit will be performed by the third party vendor.</b>	Jan-Mar	2/26/2018	
07	Member Services/Fiscal	Employer Agency Reviews	Testing of employer agencies is conducted throughout the fiscal year. As one employer agency review is completed another is started.	Jul-Jun	N/A	N/A
		1905 Department of Children and Family Services	<b>Completed.</b>	N/A	7/2/2018	7/23/2018
		1907 University of Louisiana at Monroe	<b>Completed.</b>	N/A	7/10/2018	9/24/2018
		1909 Department of Public Safety	<b>Completed.</b>	N/A	7/16/2018	9/25/2018
		1913 Louisiana Department of Agriculture and Forestry	<b>Completed.</b>	N/A	7/30/2018	8/17/2018
		1916 Louisiana Workforce Commission	<b>Completed.</b>	N/A	8/28/2018	10/19/2018
		1917 Delgado Community College	<b>Completed.</b>	N/A	9/4/2018	1/15/2019
		1919 Lallie Kemp Regional Medical Center	<b>Completed.</b>	N/A	10/4/2018	2/4/2019
		1922 Northeast Delta Human Services Authority	<b>Completed.</b>	N/A	11/29/2018	12/5/2018
		1924 LA State University Medical Center	<b>Fieldwork being performed.</b>	N/A	1/11/2019	



## FYE 2019 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
		1925 Board of Commissioners Port of New Orleans	<b>Fieldwork being performed.</b>	N/A	1/11/2019	
		1926 Louisiana School for the Deaf	<b>Completed.</b>	N/A	1/11/2019	1/24/2019
		1927 Louisiana Military Department	<b>Completed.</b>	N/A	1/15/2019	1/25/2019
08	Member Services/Fiscal	Employer Agency Queries	This project consists of a monthly evaluation of automated testing on employer agencies related to proper enrollment of members and rehired retirees and leave reporting for retirees. <b>Project 1902A &amp; B - fieldwork being performed.</b>	Jul-Jun	7/5/2018	
			This project consists of the development of new automated testing for employer agencies. <b>1902C - fieldwork being performed.</b>	Jul-Jun	7/10/2018	
09	Audit Services	Fraud Investigations		Jul-Jun	7/2/2018	
10	Member Services/Fiscal/IT	Funding Actuarial File Review (FYE 2018)	This project includes the testing of the actuarial data files submitted to the System Actuary for completion of the funding actuarial valuation. <b>Project 1906 - Completed.</b>	Jul-Sep	7/9/2018	9/28/2018
11	Audit Services	Mkinsight Upgrade and Enhancement	This project will be completing an upgrade of our audit management system along with implementing certain enhancements to improve the efficiency and effectiveness of our division. <b>Project 1911 - Completed.</b>	Jul-Sep	7/26/2018	12/17/2018
12	Executive/Member Services/Fiscal/IT	Actuarial File Layout Update Project	This consulting project will consist of working with the necessary parties to evaluate proposed changes to the annual actuarial file layout and perform the necessary testing of those changes. This will be a multi-year project. <b>Project 1910 - Fieldwork being performed.</b>	Jul-Sep	7/16/2018	

## FYE 2019 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
13	Member Services/Fiscal/IT	Optimus Project Implementation (Phase 3)	This is Phase 3 of the Imaging replacement project. Audit's involvement in this project will vary; however, some possible review areas include: Online self-service security and functionality upgrades/enhancements, evaluation of possible online storage of Optimus data and disaster recovery related changes, and electronic forms. <b>Project 1904 - Fieldwork being performed.</b>	Jul-Sep	7/6/2018	
14	Investments/Fiscal	Internally Managed Portfolio Review	<b>Project 1912 - COMPLETED.</b>	Jul-Sep	7/30/2018	11/15/2018
15	IT	Microsoft Office 365 Implementation Project	Microsoft's Office 365 product moves their applications (i.e., Outlook, Word, Excel, etc.) to a subscription based service (online only) model instead of the traditional on site model. IT is currently evaluating the options available to implement the Microsoft 365 version of Outlook at LASERS. If steps are taken to implement this application, then audit will participate in this project in a consulting capacity and review the components of the implementation plan and other key aspects of this project as they are developed. <b>Update: This item has been delayed until no earlier than 1st quarter of 2019. Project 1930 - fieldwork being performed.</b>	Jul-Sep	2/25/2019	
16	Member Services/Fiscal/IT	GASB 68 Actuarial File Review (FYE 2018)	This project includes the following: - Testing of the actuarial data files submitted to the System Actuary for completion of the GASB 68 audit report. - Review of the GASB 68 audit report. <b>Project 1915 - COMPLETED.</b>	Aug-Oct	8/28/2018	12/13/2018

## FYE 2019 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
17	Fiscal	External Financial Statement Audit Report and Funding Actuarial Valuation Report Review	This is an annual project that consists of a review of the external financial statement audit report and the funding actuarial valuation report. A cross comparison to the funding actuarial valuation report is also performed as part of this project. <b>Project 1918 - COMPLETED.</b>	Sep	9/10/2018	9/28/2018
18	Member Services/Fiscal/IT	Actuarial Experience Study File Review	This project will consist of testing the experience study data files before being submitted to the System Actuary. <b>Project 1920 - COMPLETED.</b>	Nov-Dec	10/30/2018	1/23/2019
19	Audit Services	Audit Charter and Policy Compliance Review	This project will consist of the annual assessment of compliance and completion of the items outlined in the Audit Committee Charter, Audit Services Division Charter, and the Audit Resolution Policy and Procedures. <b>Project 1921 - COMPLETED.</b>	Oct-Dec	11/20/2018	11/29/2018
20	Member Services	Benefit Calculation Review	<b>Project 1923 - fieldwork being performed.</b>	Jan-Mar	12/5/2018	
21	Fiscal	Rehire Retirees	<b>Project 1914 - preliminary phase of project being performed.</b>	Jan-Mar	8/29/2018	
22	IT	IT Security Management Review	The area of focus for this review is Active Directory, Group Policy Management, and Network Logical Security. IT and Audit plan to partner with a third party firm to complete the technical aspects of this project. The process components of this area will be reviewed by audit. <b>This project will be moved to next fiscal year. The IT resources necessary to complete this project are unavailable primarily due to the focus on the Optimus cloud disaster recovery and Office 365 implementation projects.</b>	Jan-Mar		
23	Investments/Fiscal	Investment manager review	<b>Project 1928 - preliminary phase of project being performed.</b>	Jan-Mar	2/27/2019	

## FYE 2019 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
24	IT	Disaster Recovery Process Modernization (non-Optimus)	IT is currently evaluating the options available to modernize the technology and approach to disaster recovery at LASERS as part of the Optimus Phase 3 project. If steps are taken to modernize this process with Optimus, then this will allow for the disaster recovery process to be modernized for other non-Optimus systems (i.e., SOLARIS and JD Edwards). If this occurs, then audit will participate in this project in a consulting capacity and review the new process as it is being developed and implemented. <b>Update: This item has been delayed until no earlier than 2nd quarter of 2019.</b>	Jan-Mar		
25	Member Services/Fiscal/IT	SOLARIS User Security Update and Review	This will be a consulting and assurance type project. Member Services will be initiating a project to evaluate and update the user security roles in SOLARIS. Audit will provide feedback and recommendations in this area as the suggested updates are being developed and implemented. This project will also include an evaluation of all non-Member Service user security roles in SOLARIS to ensure proper configuration.	Jan-Mar		
26	Audit Services	Review of Audit Committee Charter, Audit Services Division Charter, and Audit Resolution Policy & Procedures	These charters and policy document require a review every three years. Any updates will be submitted to the audit committee for review and approval. <b>Project 1929 - fieldwork being performed.</b>	Apr-Jun	2/20/2019	
27	Executive	Enterprise Risk Management (ERM) Implementation	This is a consulting project where Audit Services is working with the Chief Risk Officer to evaluate the various components of ERM that are in the process of being implemented. <b>Project 1901 - Fieldwork being performed.</b>	Jul-Jun	12/17/2018	

## FYE 2019 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
28	All Divisions	Continuous Auditing of Various Processes	Continuous Auditing Queries performed in the following areas: <ul style="list-style-type: none"> <li>- Accounting Processes (SOLARIS)</li> <li>- Accurint Search Activity</li> <li>- Benefits</li> <li>- Death</li> <li>- Disability</li> <li>- Membership</li> <li>- Refunds</li> <li>- Service Purchases</li> <li>- Transfers</li> </ul>			
			This is the project for the research of the exceptions identified during this testing. <b>Project 1903A - Fieldwork being performed.</b>	Jul-Jun	7/5/2018	
			This project consists of the development of new continuous auditing tests. <b>Project 1903B - Fieldwork being performed.</b>	Jul-Jun	7/2/2018	
			Review of IRS Form 1099-R issued by LASERS. <b>Project 1903C - Fieldwork being performed.</b>	Jan	11/19/2018	
			Review of Required Minimum Distributions issued by LASERS. <b>Project 1903D - Fieldwork being performed.</b>	Oct-Dec	11/8/2018	
29	Audit Services	Audit Services Follow Up Activities	This project consists of follow up on open items from previous projects conducted by the audit division. A larger than normal allocation has been assigned to this area for follow up related to Project 1604 IT Security Management Review.	Jul-Jun	7/13/2018	
		<b><u>ADMINISTRATIVE WORK</u></b>				

## FYE 2019 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
30	Audit Services	Administrative work--including audit committee preparation, preparing audit division budget, updates of the charter, updates of the audit services division procedure manual, audit plan development, staff performance evaluations, travel, etc.	LASERS will be hosting the May 2019 Association of Public Pension Fund Auditors' (APPFA) Conference in New Orleans. The hours spent planning this conference will be assigned to this area.		N/A	
		<b><u>UNBUDGETED PROJECTS</u></b>				
31	Audit Services	These projects will consist of those not planned at the start of the fiscal year.			N/A	
		<b><u>PERCENTAGE OF HOURS ALLOCATION</u></b>				
		<b><u>% of work hrs available</u></b>				
		82.67%	Budgeted Projects			
		2.02%	Follow up Activities			
		7.03%	Unbudgeted Projects			
		7.83%	Administrative Time			
		<b><u>PERFORMANCE MEASURES</u></b>				
		Audit Committee Satisfaction Survey	Feedback will be used to identify improvements.			
		External Quality Assessment (Peer) Review	Performed once every five years and should receive a "generally complies" rating which is the highest offered.			
		Training hours per auditor	Each auditor must obtain 40 hrs of continuing education each fiscal year.			
		<b><u>STAFFING RESOURCES</u></b>				
		<b><u>Name and Position</u></b>	<b><u>Certifications</u></b>	<b><u>Audit Experience (Approx.)</u></b>		
		Ryan Babin, Audit Director	Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA)	15 1/2 years		
		Brennan McNamee, Staff Auditor		3 1/2 years		12

## FYE 2019 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
		Reece Babin, Staff Auditor		1 1/2 years		
		Nicole Xue, Staff Auditor		1 year		
		Paul Tran, Staff Auditor		1/2 year		

## Multi-Year Audit Plan

<u>Audit / Project</u>	<u>Division(s)</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Comments</u>
Investment Manager Review	Investments/Fiscal	X	X	X	X	X	At least one review performed each fiscal year.
Actuarial File Testing (Funding and GASB 68)	Member Services/Fiscal/IT	X	X	X	X	X	Annual project.
External Financial Statement Audit Report and Actuarial Funding Valuation Report Review	Fiscal	X	X	X	X	X	Annual project.
Employer Agency Compliance Reviews	Member Services/Fiscal	X	X	X	X	X	Several projects performed annually.
Benefit Calculation Review	Member Services	X	X	X	X	X	Annual project.
Audit Charter and Policy Compliance Review	Audit Services	X	X	X	X	X	Annual project.
Records Retention	Executive	X					
Investment Accounting Operational Review	Fiscal	X					This project will cover areas not reviewed during Project 1619 Investment Accounting Review.
Service Purchases, Repay Refunds, and Transfers (In and Out)	Member Services	X					
Internal Quality Assurance Review	Audit Services	X					A full internal quality assurance review is completed in the fiscal year prior to an external quality assurance review. The next external quality assurance review is scheduled for FYE 2021.
Excess Benefit Arrangement (IRC 415(b))	Fiscal	X					
Custodian Bank	Investments/Fiscal	X					At least once every five years. Last review completed during FYE 2015.
IT Security Management Review	IT	X					The area of focus for this review is Active Directory, Group Policy Management, and Network Logical Security. This project may also consist of IT and Audit partnering with a third party firm to complete the technical aspects of this project. The process components of this area will be reviewed by audit.



## Multi-Year Audit Plan

<u>Audit / Project</u>	<u>Division(s)</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Comments</u>
Peer Review of Louisiana Tech Internal Audit Function	Audit Services	X					The audit director has been requested to participate on the team that will perform a peer review of the Louisiana Tech internal audit function.
Mkinsight/Pentana Audit Upgrade and Enhancement	Audit Services	X					Upgrade to the next version of audit management software
Actuarial File Layout Update Project (FYE 2020)	Executive/Member Services/Fiscal/IT	X					Final decisions have not been made on the planned work on this project for the fiscal year, but the goal is to have Phase 1 completed.
Property Control Review	Fiscal	X					
IT Security Management Review	IT		X				The scheduled areas to be covered during this project include: Internet Security and Control and Email.
Annuitant Verifications (International and Over Age 95)	Member Services		X				Performed every three years. Last review completed during FYE 2018.
Ethics Program Review	Executive		X				At least once every five years. Last review completed during FYE 2016.
External Quality Assurance Review	Audit Services		X				At least once every five years. Last review completed during FYE 2016.
Investment Consultant	Investments		X				At least once every five years. Last review completed during FYE 2017.
Customer Service	Member Services		X				This will be a follow-up engagement to Project 1508 to ensure a review of the items that were not covered during this project are assessed.
Actuarial File Layout Update Project (FYE 2021)	Executive/Member Services/Fiscal/IT		X				
Travel Expenditure and Compliance Review	Fiscal		X				
Refunds	Fiscal		X				
Agency Governance Review	Executive			X			At least once every five years.
Review of Audit Committee Charter, Audit Services Division Charter, and Audit Resolution Policy & Procedures	Audit Services			X			Performed every three years. Last review completed during FYE 2019.
Business Continuity Plan	Executive			X			At least once every five years. Last review completed during FYE 2017.

### Multi-Year Audit Plan

<u>Audit / Project</u>	<u>Division(s)</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Comments</u>
DROP/IBO processes	Member Services/Fiscal			X			
Internal Portfolio Review	Investments/Fiscal				X		At least once every 3-5 years. Last completed during FYE 2019.
Experience Study	Member Services/Fiscal/IT					X	This project will consist of testing the experience study data files before being submitted to the System Actuary.

## Engagement # and Title

## Item # Observation

## Recommendation/Audit Comments

1608 Southern  
University  
Baton Rouge

01A According to LA R.S. 11:417(A), any person who is a member of LASERS who has creditable membership service of at least five years in this system, and who becomes employed in other state or public employment where he is no longer eligible for membership in this system, but is eligible for membership in the Louisiana School Employees' Retirement System, the Louisiana State Police Retirement System, the TRSL, or the Municipal Police Employees' Retirement System shall have the right to remain a member of this system in lieu of membership in the other state or statewide retirement system by filing a notice of election to remain in this system, in writing, with the board of trustees within thirty days after the effective date of employment.

During this review, it was observed that there were enrollment reporting errors for four individuals in regards to LA R.S. 11:417(A). The three individuals had at least five years of service credit in LASERS upon employment in Teachers' Retirement System of Louisiana (TRSL) eligible positions, but their notice of election forms were not filed with LASERS properly. It should be noted that these individuals properly continued contributing to LASERS. The remaining individual had less than five years in TRSL upon transfer into a LASERS eligible position, but continued their enrollment in TRSL incorrectly. This individual should have been enrolled in LASERS at the time of the transfer since they did not have the adequate amount of service credit to retain membership in TRSL.

The agency should submit administrative error letters for all four individuals and work with LASERS to ensure the necessary information is received to properly resolve the individuals cited in this observation. The agency agrees with the recommendation. The administrative error letters have been submitted to LASERS for these four individuals and we are working with LASERS to provide any additional information requested.

March 2019 Update (Audit Services):  
The Southern System Internal Audit Director is working with the LASERS Audit Director to confirm that this issue has been resolved and the appropriate measures have been put in place to mitigate this type of issue from occurring in the future. Recommend updating the target completion date to December 31, 2019.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

1608	Southern University Baton Rouge	01B	<p>According to LA R.S. 11:417(A), any person who is a member of LASERS who has creditable membership service of at least five years in this system, and who becomes employed in other state or public employment where he is no longer eligible for membership in this system, but is eligible for membership in the Louisiana School Employees' Retirement System, the Louisiana State Police Retirement System, the TRSL, or the Municipal Police Employees' Retirement System shall have the right to remain a member of this system in lieu of membership in the other state or statewide retirement system by filing a notice of election to remain in this system, in writing, with the board of trustees within thirty days after the effective date of employment.</p> <p>During this review, it was observed that there were enrollment reporting errors for four individuals in regards to LA R.S. 11:417(A). The three individuals had at least five years of service credit in LASERS upon employment in Teachers' Retirement System of Louisiana (TRSL) eligible positions, but their notice of election forms were not filed with LASERS properly. It should be noted that these individuals properly continued contributing to LASERS. The remaining individual had less than five years in TRSL upon transfer into a LASERS eligible position, but continued their enrollment in TRSL incorrectly. This individual should have been enrolled in LASERS at the time of the transfer since they did not have the adequate amount of service credit to retain membership in TRSL.</p>	<p>The agency should review their enrollment procedures currently in place and make any necessary changes to properly handle situations where a notice of election to remain in a retirement system exists. The agency agrees with the recommendation. The following changes have been made to address these situations:</p> <ul style="list-style-type: none"> <li>•The Electronic Personnel Action Form is required to be submitted to Human Resources within 30 days of a position change.</li> <li>•When an employee changes position that results in a classification change, they are required to report to Human Resources and undergo additional orientation and complete the notice of election forms, as applicable.</li> </ul> <p>March 2019 Update (Audit Services): The Southern System Internal Audit Director is working with the LASERS Audit Director to confirm that this issue has been resolved and the appropriate measures have been put in place to mitigate this type of issue from occurring in the future. Recommend updating the target completion date to December 31, 2019.</p>
1608	Southern University Baton Rouge	02B	<p>An incorrect amount of unused leave was certified for one retiree which caused an error in the payment issued to the member upon retirement. The unused</p>	<p>The agency should review their procedures and process currently in place and make any necessary updates to ensure the unused leave balances are certified to LASERS in an</p>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

leave amount was understated by approximately 200 hours. According to the agency, leave balances are certified after the final payroll has been processed and termination pay has been reduced from the leave balance. However, there are situations where their computer system zeroes the remaining balance. As a result, the agency certified the incorrect amount for this individual.

It should be noted that during this review the agency has provided the corrected leave form to LASERS for this retiree.

accurate and timely manner. The agency agrees with the recommendation. When an employee retires, Human Resources will place the amount of annual and/or sick leave hours paid for terminal pay on the PEALEAV screen. This action will ensure that the correct leave is certified to LASERS. Furthermore, Human Resources will certify unused leave balances to LASERS within 30 days after the retiree has terminated employment.

March 2019 Update (Audit Services):  
The Southern System Internal Audit Director is working with the LASERS Audit Director to confirm that this issue has been resolved and the appropriate measures have been put in place to mitigate this type of issue from occurring in the future. Recommend updating the target completion date to December 31, 2019.

1608 Southern  
University  
Baton Rouge

03A According to LA R.S. 11:416 (B), the retiree and the appointing authority of the employer agency covered by the system shall immediately notify the system of the retiree's date of employment, the option selected for reemployment purposes, the amount of his starting salary, any subsequent changes in salary, the estimated duration of employment, and the date of termination of employment. This notification and information is obtained via LASERS Re-employment of Retiree Forms.

During this review, it was observed that there were two rehired retiree reporting errors identified. One retiree was rehired in a LASERS eligible position and was not reported to LASERS. The other retiree was rehired into a position that was not eligible for LASERS, but was reported to LASERS. It should be noted that during this review the agency has begun taking the necessary steps to correct the records in error and has resolved the one retiree who was

The agency should provide LASERS the necessary remaining information to properly correct the record for the remaining retiree noted in this observation. The agency agrees with the recommendation. Administrative error letters have been submitted to LASERS for these two individuals and we are working with LASERS to provide any additional information requested.

March 2019 Update (Audit Services):  
The Southern System Internal Audit Director is working with the LASERS Audit Director to confirm that this issue has been resolved and the appropriate measures have been put in place to mitigate this type of issue from occurring in the future. Recommend updating the target completion date to December 31, 2019.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

			ineligible to be reported to LASERS.	
1608	Southern University Baton Rouge	03B	<p>According to LA R.S. 11:416 (B), the retiree and the appointing authority of the employer agency covered by the system shall immediately notify the system of the retiree's date of employment, the option selected for reemployment purposes, the amount of his starting salary, any subsequent changes in salary, the estimated duration of employment, and the date of termination of employment. This notification and information is obtained via LASERS Re-employment of Retiree Forms.</p> <p>During this review, it was observed that there were two rehired retiree reporting errors identified. One retiree was rehired in a LASERS eligible position and was not reported to LASERS. The other retiree was rehired into a position that was not eligible for LASERS, but was reported to LASERS. It should be noted that during this review the agency has begun taking the necessary steps to correct the records in error and has resolved the one retiree who was ineligible to be reported to LASERS.</p>	<p>The agency should review their rehired retiree procedures and process currently in place and make any necessary changes to ensure all eligible rehired retirees are properly reported to LASERS in a timely manner. The agency agrees with the recommendation. Human Resources has informed Departments that hire employees on Special Hire appointments that they will have to report to Human Resources within 30 days of hire and, where applicable, complete the Retiree Return to Work form before mailing to LASERS. Furthermore, all LASERS retirees that return to work at Southern University will be processed through BANNER and not manually on Special Hire Packets.</p> <p>March 2019 Update (Audit Services): The Southern System Internal Audit Director is working with the LASERS Audit Director to confirm that this issue has been resolved and the appropriate measures have been put in place to mitigate this type of issue from occurring in the future. Recommend updating the target completion date to December 31, 2019.</p>
1608	Southern University Baton Rouge	04A	<p>The following items related to agency contribution reporting errors:</p> <p>a. There were eight individuals where the monthly base pay was reported to LASERS incorrectly for select months. According to information provided by the agency, there are two situations where these errors occurred:</p> <p>i. Base pay not properly reported in the summer months for nine and ten month employees. Two of the eight individuals identified were affected by this reporting process error. According to LASERS Liaison Memo 16-28, base pay should be reported</p>	<p>The agency should work with LASERS staff and provide LASERS the necessary remaining information to properly correct the records for the individuals noted in this observation. The agency agrees with the recommendation. The response to each of the items noted above is as follows:</p> <ul style="list-style-type: none"> <li>• Item a(i) and a(ii): The base pay for the individuals affected have been corrected.</li> <li>• Item b(i): The credit has not been taken for these two employees, but will be adjusted on the May 2017 agency contribution report.</li> <li>• Item b(ii): No record correction is necessary for this individual since they have refunded from LASERS.</li> <li>• Item c: The necessary record corrections have been made.</li> </ul>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

as one twelfth of the annual full-time salary of that position for primary employment. In situations where a member is employed by more than one agency, the secondary employer should report the base pay as equal to the earnings for that part-time position. For those nine and ten month employees that work in the summer, that summer position is considered as secondary employment for the same agency; therefore, base pay should be reported as noted in the memo.

ii. Base pay not properly reported for individuals paid from multiple sources for one position. The remaining six individuals identified were affected by this reporting process error. Regardless of the source of the funds used for payment, base pay should be calculated as if payment is being funded from one source.

According to the agency, these reporting errors occurred because currently Banner, payroll system for the agency, calculates the base pay as one twelfth for those paid summer pay and also uses one source to calculate base pay for those individuals paid from multiple sources. A review process was created by the agency to address this limitation by identifying these situations and then manually calculating base pay. The agency also noted that they will work with their Information System Division (ISD) to properly calculate base pay in the situations noted above.

b. There were three individuals where ineligible earnings were reported to LASERS in error. According to information provided by the agency, there are two situations where these errors occurred:  
i. Overtime was reported to LASERS for two

•Item d: We are not able to make changes to these dates for reports already submitted to LASERS, but it is our understanding that LASERS is in the process of correcting the pay period start and end dates for the individuals and periods affected as noted above.

•Item e: We are not able to make changes to the work period for reports already submitted to LASERS, but it is our understanding that LASERS has made any necessary corrections.

•Item f: We have begun reporting LWOP information via the monthly agency contribution file. In addition, it is our understanding that LASERS has made any necessary record corrections.

March 2019 Update (Audit Services):

The Southern System Internal Audit Director is working with the LASERS Audit Director to confirm that this issue has been resolved and the appropriate measures have been put in place to mitigate this type of issue from occurring in the future. Recommend updating the target completion date to December 31, 2019.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*



individuals. According to LASERS Liaison Memo 13-13, overtime pay (exceptions exist for certain commissioned law enforcement officers and legislative staff) is not eligible to be reported to LASERS.

ii. Earnings classified as Family and Medical Leave Act (FMLA)-Leave without pay (LWOP) were reported to LASERS for one individual. LWOP type earnings are not eligible for LASERS because since they are not considered earned compensation. It should be noted that this individual has refunded from LASERS; therefore, no further corrective action is required for their record. However, the agency plans to provide a listing of all LASERS members associated with FMLA-LWOP to confirm that this is an isolated incident.

c. The agency reported the incorrect employer contributions on the July 2015 monthly contribution file for individuals paid on a biweekly basis. This error caused numerous edits to generate in SOLARIS which created additional work for LASERS staff and rework for the agency. For the years when an employer contribution rate change is required, it becomes effective the first payment received on or after July 1st; however, this is not how employer contributions were determined by the agency for July 2015. It should be noted that the agency properly reported employer contributions to LASERS on the July 2016 monthly contribution file. The agency noted that they will update their process to ensure that employer contributions are correctly calculated when there is an employer contribution rate change.

d. The pay period start and pay dates were not correctly reported to LASERS on a consistent basis

---

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*



in 2016 for individuals paid on a biweekly basis. During this review, it was determined that the pay period start date was in error on the February 2016 monthly contribution file. Also, pay dates were incorrectly reported on the monthly contribution files for March, April, May, June, August, and October 2016. The agency noted that they will work their ISD staff to ensure the monthly contribution file contains the correct pay period and pay dates for both biweekly and monthly paid employees.

e. The values in the work period field on the monthly contribution file submitted by the agency contained errors. According to the monthly contribution file layout, the work period should represent the type of monthly employee and include a value of either 9, 10, or 12. However, Audit Services reviewed a sample of files submitted in 2016 and it was determined that other values besides 9, 10, or 12 were provided in each file reviewed in the sample. The agency noted that they will work with their ISD staff to ensure the proper work periods are provided to LASERS on the monthly contribution file.

f. LWOP dates were not consistently reported to LASERS. LWOP dates can be reported to LASERS in two primary ways, Employer Self-Service (ESS) or on the monthly contribution file. The agency noted they use the ESS method to report LWOP, but due to the manual nature of this process, this information was not provided to LASERS on a consistent basis. Therefore, the agency noted that they will work with their ISD staff to update the monthly contribution file process to provide LWOP information.

Incorrect reporting of base pay, earnings,

---

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

		contributions, pay period dates, pay dates, work period, and leave without pay can cause errors in producing retirement estimates for members and can also impact the proper calculation of service credit and/or final average compensation.	
1608	Southern University Baton Rouge	<p>04B The following items related to agency contribution reporting errors:</p> <p>a. There were eight individuals where the monthly base pay was reported to LASERS incorrectly for select months. According to information provided by the agency, there are two situations where these errors occurred:</p> <p>i. Base pay not properly reported in the summer months for nine and ten month employees. Two of the eight individuals identified were affected by this reporting process error. According to LASERS Liaison Memo 16-28, base pay should be reported as one twelfth of the annual full-time salary of that position for primary employment. In situations where a member is employed by more than one agency, the secondary employer should report the base pay as equal to the earnings for that part-time position. For those nine and ten month employees that work in the summer, that summer position is considered as secondary employment for the same agency; therefore, base pay should be reported as noted in the memo.</p> <p>ii. Base pay not properly reported for individuals paid from multiple sources for one position. The remaining six individuals identified were affected by this reporting process error. Regardless of the source of the funds used for payment, base pay should be calculated as if payment is being funded from one source.</p>	<p>The agency should review their agency reporting procedures and process currently in place and make the necessary changes to ensure base pay, earnings, contributions, pay period start dates, payment dates, work periods, and LWOP information are reported to LASERS accurately and timely. The agency agrees with the recommendation. The response to each of the items noted above is as follows:</p> <ul style="list-style-type: none"> <li>•Item a(i): Corrective action has been taken in Banner to ensure this type of base pay reporting error will not occur in the future. Payroll will monitor other employees with pay factors less than 12 months since this will continue to cause a problem in reporting.</li> <li>•Item a(ii): IT is in the process of making updates to Banner to ensure the base pay for individuals paid from multiple sources is properly reported to LASERS. This is scheduled to be completed by June 2017. In the interim, corrective action is being taken to ensure the calculated base pay for those individuals paid from multiple sources are corrected and reported in the same manner as employees paid from one source.</li> <li>•Item b(i) and b(ii): HR is in the process of working with IT to make the necessary corrections to Banner to prevent these types of errors in the future.</li> <li>•Item c: When the employer contribution rate changed in prior years, the change did not become effective beginning with the first payment received on or after July 1st. However, changes have been made to Banner to ensure that this is the method used going forward. This method will be used starting with the July 1, 2017 reporting.</li> <li>•Item d: Corrective action has been taken in Banner to ensure this type of reporting error will not occur in the future.</li> </ul>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

According to the agency, these reporting errors occurred because currently Banner, payroll system for the agency, calculates the base pay as one twelfth for those paid summer pay and also uses one source to calculate base pay for those individuals paid from multiple sources. A review process was created by the agency to address this limitation by identifying these situations and then manually calculating base pay. The agency also noted that they will work with their Information System Division (ISD) to properly calculate base pay in the situations noted above.

b. There were three individuals where ineligible earnings were reported to LASERS in error. According to information provided by the agency, there are two situations where these errors occurred:

i. Overtime was reported to LASERS for two individuals. According to LASERS Liaison Memo 13-13, overtime pay (exceptions exist for certain commissioned law enforcement officers and legislative staff) is not eligible to be reported to LASERS.

ii. Earnings classified as Family and Medical Leave Act (FMLA)-Leave without pay (LWOP) were reported to LASERS for one individual. LWOP type earnings are not eligible for LASERS because since they are not considered earned compensation. It should be noted that this individual has refunded from LASERS; therefore, no further corrective action is required for their record. However, the agency plans to provide a listing of all LASERS members associated with FMLA-LWOP to confirm that this is an isolated incident.

c. The agency reported the incorrect employer

- Item e: IT is in the process of making updates to ensure that the work period is populated with the correct values on the monthly agency contribution report.
- Item f: We have begun reporting LWOP information via the monthly agency contribution file.

March 2019 Update (Audit Services):  
The Southern System Internal Audit Director is working with the LASERS Audit Director to confirm that this issue has been resolved and the appropriate measures have been put in place to mitigate this type of issue from occurring in the future. Recommend updating the target completion date to December 31, 2019.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

contributions on the July 2015 monthly contribution file for individuals paid on a biweekly basis. This error caused numerous edits to generate in SOLARIS which created additional work for LASERS staff and rework for the agency. For the years when an employer contribution rate change is required, it becomes effective the first payment received on or after July 1st; however, this is not how employer contributions were determined by the agency for July 2015. It should be noted that the agency properly reported employer contributions to LASERS on the July 2016 monthly contribution file. The agency noted that they will update their process to ensure that employer contributions are correctly calculated when there is an employer contribution rate change.

d.The pay period start and pay dates were not correctly reported to LASERS on a consistent basis in 2016 for individuals paid on a biweekly basis. During this review, it was determined that the pay period start date was in error on the February 2016 monthly contribution file. Also, pay dates were incorrectly reported on the monthly contribution files for March, April, May, June, August, and October 2016. The agency noted that they will work their ISD staff to ensure the monthly contribution file contains the correct pay period and pay dates for both biweekly and monthly paid employees.

e.The values in the work period field on the monthly contribution file submitted by the agency contained errors. According to the monthly contribution file layout, the work period should represent the type of monthly employee and include a value of either 9, 10, or 12. However, Audit Services reviewed a sample of files submitted in 2016 and it was

---

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

determined that other values besides 9, 10, or 12 were provided in each file reviewed in the sample. The agency noted that they will work with their ISD staff to ensure the proper work periods are provided to LASERS on the monthly contribution file.

f.LWOP dates were not consistently reported to LASERS. LWOP dates can be reported to LASERS in two primary ways, Employer Self-Service (ESS) or on the monthly contribution file. The agency noted they use the ESS method to report LWOP, but due to the manual nature of this process, this information was not provided to LASERS on a consistent basis. Therefore, the agency noted that they will work with their ISD staff to update the monthly contribution file process to provide LWOP information.

Incorrect reporting of base pay, earnings, contributions, pay period dates, pay dates, work period, and leave without pay can cause errors in producing retirement estimates for members and can also impact the proper calculation of service credit and/or final average compensation.

1623 Louisiana State University (LSU)

03B The following items related to agency contribution reporting were identified:

a. There were five individuals where the monthly base pay reported to LASERS was overstated for select months. According to the agency, these individuals were paid from multiple accounts which caused this reporting error. For example, one individual was paid from two different accounts for the month, which doubled the monthly base pay reported to LASERS in error. It should be noted that during this review, the agency provided LASERS with the necessary information to resolve one of the

The agency should review their agency reporting procedures and process currently in place and make the necessary changes to ensure base pay, leave without pay, pay period start, end and payment dates are reported to LASERS accurately and timely.

LSU agrees with this recommendation. LSU's SOLARIS file was updated when implementing their new Human Capital Management (HCM) and Finance system. The new system is programmed to provide LWOP dates when they are available. LWOP for less than a pay period will still be electronically unreportable. More of the fields are being populated with the new system, but there are still new situations that are being identified each month and being reprogrammed as they go.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

five individuals.  
b. There were two individuals where the pay period and pay dates were incorrectly reported for off-cycle retroactive adjustments. According to the agency, the current method used to process off-cycle retroactive adjustments is manual. The manual nature of this process can lead to these types of reporting errors. It should be noted that during this review, the agency provided LASERS with the necessary information to resolve one of the two individuals.  
c. There were eight individuals where leave without pay (LWOP) dates were not reported to LASERS. According to the agency, the departments did not always load LWOP in order for the information to get reported to LASERS properly.

Incorrect reporting of base pay, pay period dates, pay dates, and leave without pay can cause errors in producing retirement estimates for members and can also impact the proper calculation of service credit. According to the agency, these reporting errors should be addressed with their new system called Workday, which went live effective July 1, 2016. The agency indicated that they will still need time to test this and will need several iterations to pass before knowing if it was fixed.

Particularly as it pertains to base pay and pay period start and end dates.

September 2017 Update (Audit Services):  
The agency is working on improving their current process to address the item.

February 2019 Update (Audit Services):  
The agency is working on improving their current process to address this item.

1715 Louisiana State University Health Sciences Center Shreveport

01A During this review, there were enrollment related reporting issues identified for two individuals. These items are as follows:  
  
a. One member was enrolled in the incorrect retirement plan upon hire. This member was hired into a hazardous duty position in April 2014, making them only eligible for the Hazardous Duty Plan (HAZP) in accordance with Louisiana Revised

The agency should work with LASERS to ensure the remaining steps are taken to fully correct the records for the individuals noted above. The agency agrees with this recommendation and has begun to correct the records for the individuals noted above. The agency will continue to work with LASERS Member Services to address these items.

September 2017 Update (Audit Services):  
The agency has addressed one of the individuals and is

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

Statutes 11:611. However, this member was reported to LASERS under the Regular Employee 3 plan. During this review, LSUHSCS was informed that this individual was enrolled in the incorrect retirement plan. Since this member had no prior service credit, they should have been enrolled in the HAZP since the original hire date in 2014.

b. One member was hired in a hazardous duty position, but was not Police Officer Standards and Training (POST) certified, so they were properly enrolled in the Regular Employee 3 plan. Upon becoming POST certified in May 2016, form 2-18 should have been submitted to LASERS for this member giving them the option to join the HAZP in accordance with Louisiana Revised Statute 11:620.

The potential impact of the discrepancies noted is that these members were contributing into a plan with a:

- Lower employee contribution rates of eight percent compared to the nine and a half percent rate of the HAZP.
- Different employer contribution rate for each fiscal year affected.
- Lower benefit accrual rate of two and a half percent compared to the HAZP accrual rate of three and a third percent.

It should be noted that the agency has submitted HAZP enrollment forms to LASERS for these two individuals.

currently working with Member Services to correct the second.

March 2018 Update (Audit Services):  
The agency is still working with Member Services to correct the second individual.

August 2018 Update (Audit Services):  
Member Services is working with the member to address this item.

February 2019 Update (Audit Services):  
Member Services is still working with the member to address this item.

1722 Nicholls State  
University

01B

During this review, there were base pay related reporting issues identified for three individuals. For these individuals, the monthly base pay reported to LASERS did not consistently correlate to the monthly

The agency should review their process and procedures related to base pay reporting and make any necessary changes to ensure the items noted in the observation are adequately addressed. The University noted that they have previously

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*



earnings reported.

The base pay for a full-time employee is the member's annual full-time salary. Regardless of the type of employee, monthly base pay should always be reported to LASERS as one-twelfth of the member's annual full-time salary.

NSU has taken the necessary steps to correct the base pay for one of the three individuals and is in the process of correcting the remaining two records. Additionally, they have begun the process of identifying the source cause of these issues in order to prevent this from happening in the future.

reported earnings for nine-month employees in a manner consistent with a proper and logical pro-rata allocation of annual base salary, which was the base pay divided by nine. After reviewing Liaison Memorandum 13-13 and discussing this matter at length with LASERS staff, a consensus was reached that the current reporting method results in NSU employees not receiving proper service credit due to LASERS computer system requirements and protocols. The University wants all of its employees to receive proper retirement credit within their respective system. Therefore, NSU agrees to report future earnings for nine-month employees in a manner that will ensure that the LASERS computer system will grant proper service credit to their employees. This change will result in adding a manual action to their reporting process and will likely increase some workload for their finance staff. In conclusion, NSU disagrees with the observation, but agrees to modify their reporting methods.

September 2017 Update (Audit Services):

The agency is working on improving their current process to address the item.

1907 University of  
Louisiana at  
Monroe

01B During this review, it was determined that incorrect amounts of unused leave were certified for two retirees which caused an error in the payments issued to the members upon retirement. For one individual, the unused leave amount was overstated approximately 65 hours. For the second individual, the unused leave amount was understated approximately 10 hours. According to the agency, leave balances are certified after the final payroll has been processed and termination pay has been reduced from the leave balance. Before the certification is sent to LASERS, Human Resources at the agency emails the leave balance to their payroll department to verify the remaining leave balance.

The agency should review their procedures and process currently in place and make any necessary updates to ensure the unused leave balances are certified to LASERS in an accurate and timely manner. The agency agrees with this recommendation. The agency has reviewed their procedures and process. The agency agrees that retirees must be paid out up to 300 hours of annual leave within 15 days of termination. After Human Resources receives the leave balances from Payroll, Form 7-01 will be completed and mailed to LASERS within 30 days.

March 2019 Update (Audit Services):

The agency is in the process of making policy and procedure updates to ensure leave balances are reported correctly.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*



			It should be noted that during this review the agency has provided the corrected leave forms to LASERS for these retirees.	
1907	University of Louisiana at Monroe	02A	<p>During this review, it was determined that ineligible earnings were reported to LASERS for two individuals.</p> <p>One individual was granted optional pay in 2018. The optional pay is currently being paid to this individual over 26 pay periods. The amount earned thus far of \$609.12 has been reported to LASERS as retirement eligible. The agency noted that this wage type is used when making an optional pay lump sum payment over a period of time and is not considered permanent. According to LASERS Liaison Memo 12-23 Retirement Eligibility on Optional Pay, earned compensation does not include lump sum optional pay or optional pay spread over several pay periods or months. Furthermore, contributions are only paid on earned compensation. The agency confirmed that earnings should not have been reported to LASERS in this situation.</p> <p>A second individual was employed in a position at ULM that was not eligible for LASERS; however, a portion of wages earned in that position were coded as casual labor wages and incorrectly reported to LASERS. This occurred because the individual transferred from an ineligible position to a LASERS eligible position in the middle of a pay period and the portion of earnings associated with the ineligible position was submitted to LASERS. The agency confirmed that ineligible wages in the amount of \$250 were sent to LASERS for this individual.</p>	<p>The agency should identify if there are other employees that have been affected by these type of issues and work with LASERS Fiscal staff to take the necessary steps to properly correct the records for the individuals impacted. The agency agrees with this recommendation. According to the agency, these individuals were reported in error. Going forward, ULM will work closely with the Controller's Office to ensure the correct percentage of retirement is being deducted from earnings.</p> <p>March 2019 Update (Audit Services): The agency is working with the LASERS Fiscal staff to resolve this item.</p>
1907	University of	02B	During this review, it was determined that ineligible	The agency should review their agency reporting procedures

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

Louisiana at Monroe		<p>earnings were reported to LASERS for two individuals.</p> <p>One individual was granted optional pay in 2018. The optional pay is currently being paid to this individual over 26 pay periods. The amount earned thus far of \$609.12 has been reported to LASERS as retirement eligible. The agency noted that this wage type is used when making an optional pay lump sum payment over a period of time and is not considered permanent. According to LASERS Liaison Memo 12-23 Retirement Eligibility on Optional Pay, earned compensation does not include lump sum optional pay or optional pay spread over several pay periods or months. Furthermore, contributions are only paid on earned compensation. The agency confirmed that earnings should not have been reported to LASERS in this situation.</p> <p>A second individual was employed in a position at ULM that was not eligible for LASERS; however, a portion of wages earned in that position were coded as casual labor wages and incorrectly reported to LASERS. This occurred because the individual transferred from an ineligible position to a LASERS eligible position in the middle of a pay period and the portion of earnings associated with the ineligible position was submitted to LASERS. The agency confirmed that ineligible wages in the amount of \$250 were sent to LASERS for this individual.</p>	<p>and process currently in place and make the necessary changes to ensure only eligible wages are reported to LASERS in these situations. The agency agrees with this recommendation. According to the agency, these individuals were reported in error. Going forward, ULM will work closely with the Controller's Office to ensure the correct percentage of retirement is being deducted from earnings.</p> <p>March 2019 Update (Audit Services): The agency is in the process of making policy and procedure updates to ensure only eligible wages are reported to LASERS.</p>
1907 University of Louisiana at Monroe	03	<p>During this review, it was determined that LWOP dates were not consistently reported to LASERS. According to LASERS Liaison Memo 13-24 Reporting LWOP, it is necessary for non-LaGov reporting agencies to report LWOP to LASERS. LWOP dates can be reported to LASERS in two</p>	<p>The agency should create LWOP reporting procedures and processes to ensure this information is reported to LASERS accurately and timely. The agency agrees with this recommendation. ULM stated that LWOP will be reported through Employer Self-Service going forward.</p>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

			primary ways, Employer Self-Service (ESS) or on the monthly contribution file. The agency noted that there is not a set process to report LWOP to LASERS. Incorrect or missing LWOP information can cause errors in producing retirement estimates for members and can also impact the proper calculation of service credit.	March 2019 Update (Audit Services): The agency is in the process of creating procedures to ensure LWOP is properly reported to LASERS.
1909	Department of Public Safety	01A	<p>During this review, there were four enrollment related issues identified which are as follows:</p> <p>a. There were two individuals who were enrolled into the incorrect retirement plan upon hire. Both were hired into hazardous duty positions and should have been enrolled in the Hazardous Duty Plan (HAZP) since they did not have service credit in LASERS prior to being hired into a hazardous duty position. One was enrolled in the Regular Employee 4 plan (RGL4) and the other was enrolled in the Regular Employee 3 plan (RGL3). In both instances, the individuals were contributing into plans that have lower employee contribution rates of eight percent compared to the nine and a half percent rate of the HAZP. Additionally, the individuals were also subject to the lower benefit accrual rate of two and a half percent compared to the HAZP accrual rate of three and a third percent.</p> <p>b. One individual was hired on January 9, 2017 into a non-hazardous duty position and was properly enrolled in the RGL4 plan. On February 12, 2018, this individual was hired into a hazardous duty position which resulted in them having a choice to either join the HAZP prospectively or remain in the RGL4 plan. This election is made by the individual on the Hazardous Duty Services Plan Election form (2-18). In this situation, the election form was not</p>	<p>The agency should work with LASERS to ensure the remaining steps are taken to fully correct the records for the individuals noted above. We have reached out to each affected employee and notified them of the error and necessary steps to correct the error. For the employees noted in letter A. of the Observations, since these errors resulted in additional contributions owed, HR reached out to OSUP to obtain the correct amounts owed and have set up payment plans, with repayment amounts agreed upon by the employees until retroactive contributions have been made whole. For the employee noted in letter B., we have notified the employee of their option to join the Hazardous Duty Plan or retain eligibility in their former plan. We have also requested a completed Election Form, Form 2-18, to confirm their decision. For the employee noted in letter C., they have now been enrolled in the proper retirement plan. The benefits section of HR will meet with staff to conduct a training to ensure that staff understands timely and accurately enrolling of employees into retirement plans based on all relevant factors (prior service, previous retirement, position type, etc.).</p> <p>February 2019 Update (Audit Services): All items except for one has been addressed. For the one open item, Member Services is awaiting payment on an outstanding invoice.</p>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

obtained by the agency from the individual upon being hired into their hazardous duty position.

c. There was one individual who retired from the Louisiana State Police Retirement System (LSPRS) and then subsequently hired into a LASERS eligible position on June 18, 2018. According to R.S. 11:411(7)(b), membership shall be optional for any person who is receiving retirement benefits from any Louisiana public retirement system. This individual opted to join LASERS and was not properly enrolled.

It should be noted that DPS has begun taking the necessary steps to correct these records and update their procedures and training.

1909 Department of  
Public Safety

01B

During this review, there were four enrollment related issues identified which are as follows:

a. There were two individuals who were enrolled into the incorrect retirement plan upon hire. Both were hired into hazardous duty positions and should have been enrolled in the Hazardous Duty Plan (HAZP) since they did not have service credit in LASERS prior to being hired into a hazardous duty position. One was enrolled in the Regular Employee 4 plan (RGL4) and the other was enrolled in the Regular Employee 3 plan (RGL3). In both instances, the individuals were contributing into plans that have lower employee contribution rates of eight percent compared to the nine and a half percent rate of the HAZP. Additionally, the individuals were also subject to the lower benefit accrual rate of two and a half percent compared to the HAZP accrual rate of three and a third percent.

b. One individual was hired on January 9, 2017 into a

The agency should review their enrollment procedures and process and make any necessary changes to ensure the items noted in the observation are adequately addressed. As stated above, the benefits section of Human Resources will conduct a training with HR Analysts who are responsible for the processing of employees into various retirement plans. We will cover processes and procedures for enrollments. Additionally, the benefits section will put processes in place to audit enrollments each pay period. If the position is a hazardous duty position, the benefits section will confirm with the HR Analyst that the employee was not eligible for another plan and if the employee was eligible, that a 2-18 form has been received. We will also review all checklists used in the hiring process to ensure procedures are clear and up-to-date.

February 2019 Update (Audit Services):  
We contacted DPS and are awaiting the status of the updated procedures/checklists.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

non-hazardous duty position and was properly enrolled in the RGL4 plan. On February 12, 2018, this individual was hired into a hazardous duty position which resulted in them having a choice to either join the HAZP prospectively or remain in the RGL4 plan. This election is made by the individual on the Hazardous Duty Services Plan Election form (2-18). In this situation, the election form was not obtained by the agency from the individual upon being hired into their hazardous duty position.

c. There was one individual who retired from the Louisiana State Police Retirement System (LSPRS) and then subsequently hired into a LASERS eligible position on June 18, 2018. According to R.S. 11:411(7)(b), membership shall be optional for any person who is receiving retirement benefits from any Louisiana public retirement system. This individual opted to join LASERS and was not properly enrolled.

It should be noted that DPS has begun taking the necessary steps to correct these records and update their procedures and training.

1917 Delgado  
Community  
College

01A During this review, one individual was hired into a LASERS eligible position, but was not properly enrolled into LASERS.

According to LA R.S. 11:411(7)(a), "membership shall be optional for those persons sixty years of age or older at the time of employment and for those persons fifty-five years of age or older who have credit for at least forty quarters in the Social Security system." The individual should provide a copy of the Social Security Administration's form (SSA-7005) to validate that they have attained at least 40 quarters of work in Social Security.

The agency should work with LASERS to ensure the remaining steps are taken to fully correct the record for the individual noted above. As stated above, the Human Resources/Benefit department has begun the process in correcting the identified individual's information. The remaining steps are for the calculation of what was paid into FICA, making a payment made into LASERS of that amount, including the difference in percentage not paid by both employee and employer.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

The individual identified during this review was between 55 and 60 years of age at their hire date and elected to not be enrolled in LASERS. However, it was discovered that documentation of the 40 quarters of work in Social Security was not submitted; therefore, they did not meet the criteria that allows for them to opt out of LASERS.

It should be noted that DCC has begun taking the necessary steps to correct this record and update their procedures and training.

**Engagement #  
and Title****Item # Observation****Recommendation/Audit Comments**

1603	Audit Charter and Policy Compliance Review	<p>01D Audit Services Division Charter Provision (B. Organizational status, 3.):</p> <p>The internal auditors have neither authority nor operational responsibility for any of the procedures or activities of LASERS. This independence promotes essential impartial and unbiased judgments, and assures appropriate consideration and effective action on observations and recommendations. Specifically, the division or its staff shall not design, install or operate any program or system, or engage in any other activity that could reasonably be construed to compromise its independence and objectivity.</p> <p>Furthermore, the Audit Services Division's objectivity is not adversely affected by: recommending standards of controls to be applied in developing systems and procedures, evaluating existing or planned financial and operating systems and related procedures, or making recommendations for modifications and improvements to strengthen controls and/or enhance operational effectiveness.</p> <p>Additional Comments:</p> <p>There are two areas where Audit Services performs work of an operational nature which are outlined below. A concern exists because these responsibilities are not primarily owned</p>	<p>These two areas noted above should be transitioned to the appropriate operational division at LASERS.</p> <p>The steps to transition the ownership of these items to an operational division are outlined below.</p> <ul style="list-style-type: none"><li>• Item 1: IT has a project planned for the fourth quarter of FYE 2016 to develop a plan to transition this process over to IT and Member Services. At the conclusion of this project, a plan of action and timeline for completion will be finalized.</li><li>• Item 2: Audit Services initiated the ownership transfer to Member Services during the annual file testing performed in August 2015. Due to the complexity of this process, the transition may take 2-3 years.</li></ul> <p>September 2017 Update (Audit Services):</p> <p>Item 1: The transition project is in the preliminary phase and was delayed due to priorities with the Optimus project. This project will resume in the early fall of 2017 and a timeline for completion will be set once the discovery phase of the project is complete.</p> <p>Item 2: The transition of ownership continues to take place and is progressing as planned. The full transition will occur as part of the update to the actuarial file process which is scheduled to be in the next 6-12 months.</p> <p>Suggest updating the target completion date for this item to September 30, 2018 so that progress update can be provided at that time.</p> <p>November 2018 Update (Audit Services):</p> <p>Item 1: The weekly process to identify possible deceased</p>
------	--	---	--

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*



by an operational division. The normal situation is that Audit Services would review these areas to ensure they are adequate, effective, etc., but since we perform them, no one performs an audits of us.

1. Process to identify deceased individuals through comparison of external data sources (Louisiana Department of Health and Hospitals, LexisNexis, and the Berwyn Group) to annuitants and beneficiaries.

2. The testing of the funding actuarial data file is performed primarily by Audit Services and not an operational division.

individuals through comparison of data from the Louisiana Department of Health and Hospitals and LexisNexis has been transitioned to Member Services. However, the obituary verification process with the Berwyn Group and the monthly follow up process have not been fully transitioned.

Item 2: The transition of ownership continues to take place and is progressing as planned. The full transition will occur as part of the update to the actuarial file process which is scheduled to be completed in the next 12-24 months.

Suggest updating the target completion date for this item to September 30, 2019 so that progress updates can be provided at that time.



## Engagement #

## and Title

## Item # Priority Observation

## Recommendation/Audit Comments

1714	Business Continuity Plan Review	01	1 - High	<p>In 2001, LASERS entered into a contract with Turnbull Consulting to develop a Business Continuity and Disaster Recovery Plan. The services were performed in several phases over the course of a few years with an approximate cost of \$210,000. The final deliverable was a very large document that contained thousands of pages. This document was comprehensive, but is not practical for keeping copies readily available in case of a continuity event. The various phases of the 15-year-old project covered the key elements described in the diagram below.</p> <p>According to the Institute of Internal Auditor's Global Technology Audit Guide (GTAG) 10: "A well-defined Business Continuity Management (BCM)/Crisis Management (CM) plan is like an insurance policy for the organization – it helps to ensure that the organization will continue to be viable and meet stakeholder expectations. Deficient, poorly constructed or communicated CMPs with inadequate testing or training may elevate organizational risks from a crisis to unacceptable levels." Key components of a Business Continuity Plan are:</p> <ul style="list-style-type: none"> <li>•Management Support</li> <li>•Risk Assessment and Risk Mitigation</li> <li>•Business Impact Analysis</li> <li>•Business Recovery and Continuity Strategy</li> <li>•Plan Awareness and Training</li> <li>•Maintenance</li> </ul>	<p>LASERS should formally re-analyze the first three components of Business Continuity Management as noted above. One approach to consider would be to complete this as part of the Enterprise Risk Management Program implementation. Business Continuity has been identified as a key risk area for LASERS and the Chief Risk Officer is facilitating an evaluation in each of these areas. Since these components were performed during the Turnbull Consulting Project, this documentation could serve as a guide or starting point during this evaluation. Furthermore, a formal process should be established to ensure these components are periodically evaluated as part of LASERS Business Continuity Management Program. Executive agrees with this recommendation and the first three components noted above will be re-analyzed within the next six months. As the Enterprise Risk Management Program is integrated with the agency operations, a formal process to ensure periodic review will be adopted. Business Continuity is a critical component of agency operations. While elements of continuity planning are routinely discussed, a more formal process should be adopted.</p> <p>March 2018 Update (Executive): The Business Continuity Plan updates have been stalled due to recent focus on the new proposed retirement plan. Recommend new target completion date of December 31, 2018.</p> <p>February 2019 Update (Executive): A Business Impact Analysis (BIA) has been completed for each division. The BIAs list the key processes for each division, as well as the systems and applications required, the outside services or vendors used, and the Recovery</p>
------	---------------------------------	----	----------	--	---

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

The first three bulleted items are necessary to evaluate if the current business continuity plan would successfully navigate LASERS through various business interruptions, for both seen and unforeseen events. In reviewing the documentation from Turnbull Consulting, the first three items were completed during that project. Business Continuity Management is what directs the Business Continuity Plan. LASERS has successfully navigated previous interruptions (i.e., natural disasters); however, these events did not result in inoperable use of facilities, equipment, information, or staff.

The first three bullet points noted above are the beginning of BCM and are crucial elements that will later help define the various plans to recover and continue business, how to test those plans, and how to maintain them to ensure they are effective. Identifying and understanding the key risks to LASERS key business functions continuing to operate at an acceptable level is a critical first step. Once the risks are identified, Executive, with input from key staff, determines the appropriate ranking and priority of these risks. LASERS would then identify what processes would be impacted by these risks, if realized, along with the expected level of impact. Next, an appropriate response plan or risk mitigation strategy would be established. A key component of the response plan includes defining adequate time milestones to achieve business resumption, which is also known as Recovery Time Objectives (RTO). Currently the RTO at LASERS is IT systems based only,

Time Objective (RTO) and Recovery Point Objective (RPO) for each process. The Chief Risk Officer has met with each division director to review and update the division's individual Business Continuity Plan (BCP). The BIAs and BCPs will be reviewed and updated in March of each year. As part of the Enterprise Risk Management (ERM) program, a Business Continuity Risk Report is being prepared. The purpose of the report is to document the risks that could prevent LASERS from providing services to our members in the event of a major business interruption. The report is currently under review by the LASERS division directors and will be presented to Executive for review in February or March. Upon completion of the report, LASERS will prepare a formal risk assessment regarding business continuity. The risk assessment will be used to help LASERS identify and respond to weaknesses in the BCPs. This process is expected to be completed by June 30, 2019.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

but the plan does not, for example, specifically dictate how to achieve the various RTO milestones of 24, 48, 72, and 96 hours which are the maximum limits.

An example of why the planning phases are imperative to developing the BCP is that currently, LASERS plan primarily focuses on the resumption of IT systems. However, key elements such as the people and physical location plans are not identified in the current BCP. During a business interruption, an IT system can be brought up in 24 hours, but if there is not appropriate staff available to work or an equipped facility for them to work at, then business resumption cannot be achieved. Performing the first three steps would help identify this and help design plans to address any weaknesses identified.

---

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

## Engagement #

## and Title

## Item # Priority

## Observation

## Recommendation/Audit Comments

1604	IT Security Management Review	02A 1 - High	<p>LASERS website filtering provided by Barracuda is used by IT to manage which websites, online content, and software applications employees can access or download through the internet. A Safe Search function is also utilized to prevent inappropriate content and images from returning while using a search engine such as Google, Yahoo, and Bing. According to the LASERS Information Technology Policy, employees authorized for internet access are subject to LASERS web filter. If an employee needs access to a website that is currently blocked, a request for access is made with approval from their division management. IT will then temporarily provide the user access or if it is determined the user will need frequent access, then IT can make it permanently available with the approval of Executive Management.</p> <p>According to IT and testing, it was determined that the aforementioned process was not being consistently followed as stated in the policy. For example, there were several websites where permanent access was granted without formal approval documentation available as prescribed per policy.</p> <p>In addition to the testing of the process, Audit Services performed limited testing of the Barracuda application. Audit Services</p>	<p>IT should perform a thorough review of the application and process used to manage website control at LASERS and take corrective action accordingly. Additionally, a continuous monitoring and testing process should be implemented to ensure compliance with both policy and procedures in this area.</p> <p>IT plans to perform the following corrective action to address this item:</p> <ul style="list-style-type: none"> <li>•All current web access requirement documents will be reviewed and matched to current documentation and access will be removed if no longer necessary.</li> <li>•A standard IT policy for governance of the web filter along with applicable supporting procedures will be developed that will address, at a minimum, the following: <ul style="list-style-type: none"> <li>o Standard site blocking.</li> <li>o Allowable exceptions.</li> <li>o Exception process including documentation and approval process.</li> <li>o Validation of process.</li> <li>o Notification structure for failure to follow policy.</li> </ul> </li> <li>•All exceptions to normal web access restrictions will be documented and approved according to policy.</li> <li>•A product search will be conducted that will review current web filtering hardware and software solutions. A recommendation will then be made to stay with the current solution or move to a new and improved product. The process will include, at a minimum, the following: <ul style="list-style-type: none"> <li>o Identifying industry best practices.</li> <li>o Documenting requirements.</li> <li>o Conducting search and review of available products.</li> <li>o Developing recommendations.</li> </ul> </li> <li>•Training will be incorporated into the annual security training plan discussing the roles of employees and supervisors in</li> </ul>
------	-------------------------------	--------------	---	---

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

concluded from testing and conversations with IT that the application continues to produce inconsistent results from what is expected from IT. Audit Services feels that one source of this is due to the configuration process in which user groups are frequently adjusted because of issues with Barracuda that IT has experienced. According to IT, these issues cannot be effectively identified or explained. These are the key reasons why Audit Services testing was limited in scope and depth. A couple of examples identified during limited testing is as follows: Users were able to download a blocked application that they should not have been able to access. IT is currently working on blocking the application download and is in contact with Barracuda to assist with resolving this issue due to some encountered difficulties. While using a search engine inappropriate content was returned.

A web filter is a primary control that serves as the first line of defense in protecting LASERS from outside viruses and programs and if not functioning properly then this inherently increases the risk that users could access malicious websites whether intentionally or not.

relation to safe web browsing and requirements of our web browsing policies. This may be either a manual or electronic process or both.

September 2016 Update (IT):

Current Plan:

- 1.Review IT policy related to observation
- 2.Review procedures related to observation
- 3.Determine if timeline is acceptable due to reduced capacity in IT
- 4.Proceed with next steps

Next Steps:

- 1.Revise Policies and Procedures
- 2.Develop processes for approval and exceptions
- 3.Develop processes for verification

January 2017 Update (IT):

Current Barracuda rules have been cleaned to a point. A new process is being developed and currently being tested. In conjunction, a replacement product search is underway. Requesting to push closure of this item to 2nd quarter of 2017 with a revised target completion date of June 30, 2017.

August 2017 Update (IT):

IT performed a product search and chose Z Scaler as the new solution for website filtering to replace the Barracuda product. Implementation of Z Scaler is currently in process and development of the process to govern management of this system will take place after the implementation. Please adjust the completion date to June 2018 to account for any issues with product implementation.

August 2018 Update (IT):

After meeting, we all agreed the following changes are needed:  
1) Define how and where completed forms are stored. 2)

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

1604	IT Security Management Review	05	2 - Medium	<p>The approval and implementation of an IT Security Incident Response Plan is important to prepare LASERS to appropriately handle security incidents, provide training, and make employees and contractors aware of the incident reporting process and their responsibilities. According to NIST SP.800-61r2, a security incident response plan is one of the important items to have for creating an effective security incident response capability in an organization. A creation of an incident response plan, policy and procedure are important parts of establishing a team to help ensure that an incident response is performed effectively,</p>	<p>Document setup of web filter for use on annual review. 3) Document in IT Process how automated test are performed. 4) Obtain approval for previous white and black list web sites. IT will target to complete this by the end of November 2018.</p> <p>November 2018 Update (IT): Our goal was to have this completed by the end of November. The process is complete with the approval from the executive management team on previous white and black listed web sites pending. We will be checking this week on the status of the request/recommendation. IT is recommending a target timeline change to January 31, 2019 to provide the management team more time to review and ask questions.</p> <p>February 2019 Update (IT): Executive is continuing to review the request for approval of the current list of white and black listed web sites. IT will be following up with executive in the near future to determine if some further changes are necessary. Will follow up again on this item in the 2nd quarter of 2019.</p> <p>IT should evaluate the current draft Security Incident Response Plan and make any necessary adjustments and take the steps to formalize and implement this plan for LASERS.</p> <p>IT plans to perform the following corrective action to address this item:</p> <ul style="list-style-type: none"> <li>•A standard IT Security Response Plan will be developed and approved that will address, at a minimum, the following: <ul style="list-style-type: none"> <li>o Detection</li> <li>o Analysis</li> <li>o Recovery</li> <li>o Post-Incident</li> </ul> </li> <li>•A testing plan for the incident response will be developed that will be tested on an agreed upon testing period between IT and Audit for validation of process and improvements.</li> <li>•Investigation will be made into having a vendor retainer for</li> </ul>
------	-------------------------------	----	------------	--	---

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

efficiently and consistently. Additionally, the plan, policy, and procedure must allow the team to be empowered to do what needs to be done to rectify an incident.  
It should be noted that IT has developed a draft IT Security Incident Response Plan, but it has not been approved or formally implemented.

incident responses to ensure that the environment is ready for a security incident and that support would be available to respond timely.  
•Investigation will be done into data breach notification laws for the state of Louisiana so that LASERS is aware of what our legal requirements are. Data breach insurance policies will also be investigated and an analysis conducted.

August 2017 Update (IT):

A draft of the Security Incident Response Plan has been started but not completed. An update on the draft plan along with new target date will be provided by December 2017.

December 2017 Update (IT):

The draft for a Security Incident Response Plan has been written. After review of the draft, it has been determined that several other documents are needed. 1.Templates for plans and notes to document the incident 2.Storage location for all incident documentation 3.Draft plans for known types of incidents 4.Communications plan for how to communicate internal / external 5.Potentially others Because of these additional documents needing to be developed, IT is recommending we push the deadline to June 30, 2018.

September 2018 Update (IT):

No activity has occurred on this item since December 2017. Work is being scheduled for the 1st quarter of 2019. An update will be provided at the end of the 1st quarter 2019.

February 2019 Update (IT):

Information Technology (IT) has contacted Mandiant to explore options of utilizing their services for developing and managing an Incident Response Plan (IRP). Further details will be added at the end of the 1st quarter 2019. In the past six months, IT has contacted three local vendors with security practices for development of an IRP. None of these providers displayed the

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*



1604 IT Security Management Review	07 2 - Medium	IT security related information is provided to all LASERS employees in two key ways. First, an IT security policy video is provided to newly hired employees during orientation. Second, IT security related items are communicated to employees on a periodic basis via email, employee newsletter, and agency wide staff meetings. This approach is a good way to increase the general level of IT security awareness, but there is no guarantee that employees will read the email, look at the newsletters, or understand the subject matter. A formalized plan to consistently inform LASERS staff of the ever changing security threats and actions they should take has not been documented.	<p>expertise LASERS desired.</p> <p>IT should formalize and implement an organizational-wide IT security training program to ensure every employee knows how to recognize IT security red flags and how to respond accordingly.</p> <p>IT plans to perform the following corrective action to address this item:</p> <ul style="list-style-type: none"> <li>•A training plan will be developed which will include, at a minimum, the following: <ul style="list-style-type: none"> <li>o New hire training will be implemented that covers security topics.</li> <li>o Periodic and ongoing training provided to all staff which cover focused topics such as: virus and malware protection best practices, web surfing issues, typical email attacks, phone scams, and/or other data security related topics as they become available.</li> <li>o Security presentation to the LASERS board.</li> <li>o Recommendation will be made into the purchasing or development of online computer based security training that can be distributed on a regular basis and be required to complete by staff similar to other HR required trainings.</li> </ul> </li> </ul>
			<p>August 2017 Update (IT): No activity has been accomplished on this item. A review of the item along with a draft plan and new completion date will be provided by the end of November 2017.</p>
1604 IT Security Management Review	09 2 - Medium	A network switch is a computer hardware device that connects other devices together on a computer network. It forwards and controls data flowing across the network to	<p>July 2018 Update (IT): Due to some unexpected projects in the Spring, this project has been delayed. A new target date will be forthcoming.</p> <p>IT should make the necessary changes to their monitoring process that will ensure the following:</p> <ul style="list-style-type: none"> <li>•Real time notification when a new version of a network switch OS is released.</li> </ul>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*



specific devices that need to receive it instead of broadcasting the data to all connected devices. When new security vulnerabilities are identified, the vendor may decide to release a security update patch that needs to be installed on the affected device to reduce its exposure to those vulnerabilities.

LASERS IT procedure currently in place requires the network switch operating system (OS) to be evaluated for new updates on a bi-annual basis in June and December. If a new update is identified, then it is applied across all affected devices.

During this review, it was identified that five of the thirteen network switches in the LASERS environment were not updated to the current OS version in accordance with the outlined procedure notated above. It should be noted that during this review IT took the necessary steps to ensure these switches are on the current OS version.

•Testing and installation of the new version is completed in a timely manner.

IT plans to perform the following corrective action to address this item:

- A procedure will be established and followed to review switch and network device code on a quarterly basis and update as necessary. All exceptions to this process will be documented.
- The IT Security Administrator will submit a code summary and action plan report to the IT Tech Support Manager on a quarterly basis outlining the plans for the updates including reasons that these updates were not done. Note: There may be legitimate reasons to delay or cancel code updates.
- Investigation will be made into options for notification lists on all devices to ensure understanding when switch or network device updates becomes available.

September 2017 Update (IT):

No activity has occurred on this item. The development of the process is pending. Please adjust the completion date to June 2018 to account for any issues with product implementation.

September 2018 Update (IT):

Network switches are a critical piece of the LASERS infrastructure. Keeping these devices up to date helps ensure the security of the LASERS environment. To ensure LASERS is taking the best approach, responding timely, and utilizing skilled resources, IT has implemented a contract with one of our partners to evaluate our network environment on a quarterly basis. A report will be produced and approved changes/upgrades will be implemented that quarter. Once this contract is in place and the first session completed, this item will be considered closed. IT estimates the contract will be in place and the first execution will be complete at the latest by the end of November 2018.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

					<p>December 2018 Update (IT): The partnership with our vendor is working well. But as the analysis of the network environment has proceeded the time required to address everything has taken longer than anticipated. The environment is now updated but a “clean” run of the process has not occurred. Before we close out this item IT would like to have that “clean” run first. Request to delay this item to January 31, 2019.</p> <p>February 2019 Update (IT): There were many areas that needed to be updated and that took longer than anticipated. However, everything is complete, but we are awaiting the final report. From this, a standard quarterly report will be developed. Once complete, that report will be part of the process and used as evidence to close out this item. Next update will be provided February 28, 2019.</p>
1604	IT Security Management Review	14	2 - Medium	<p>The roles and responsibilities of overseeing LASERS IT security is currently divided between multiple employees at LASERS. This separation of duties is inherently riskier than having a centralized person to oversee the various security roles and processes. A decentralized security oversight increases the risk that the application of security policies and procedures will be inconsistent, thus increasing the difficulty of ensuring the security and protection of LASERS systems and information.</p> <p>The security oversight could be centralized to one individual who would oversee the team and ensure that all policies are standardized, implemented, and adhered to; however, they may not necessarily perform all of the task they are overseeing. This person would have a holistic view of the IT</p>	<p>IT should evaluate the current security oversight management function and determine which IT staff manages each role, their responsibilities, and their authority. An analysis of this would help determine the necessary changes needed to increase the effectiveness of the IT security management oversight function</p> <p>IT plans to review the existing management structure and various IT security roles and responsibilities and changes will be recommended, as needed, to increase the overall effectiveness of IT security management and oversight.</p> <p>August 2017 Update (IT): At this time, all focus has been directed toward writing and maintaining policies for governance of IT (with a focus on security). After these activities are complete and the open items closed out, this item will be addressed. Depending on the length of time to address the remaining topics, this date is only an estimate. Request change of target date to June 30, 2018.</p> <p>September 2018 Update (IT):</p>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

security risks facing LASERS and be able to identify technologies and implement processes to help minimize those risks. This person would have an understanding of how this change would affect the overall IT security environment which is governed by the LASERS IT policy.

Further review of this item is being considered and a recommended next course of action will be made by the end of calendar year 2018.

February 2019 Update (IT):

The annual process review did not take place in December, as planned, due to operational and Optimus Phase 3 project requirements. We are currently evaluating the needs of IT and what the division can effectively accomplish on a regular basis. More analysis is needed with potential IT structure changes and/or request for positions to fill this need. Requesting a change of date to June 30, 2019.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

Engagement #  
and Title

Item # Priority Observation

Recommendation/Audit Comments

1614	Enrollment	01B	1 - High	<p>PRIOR PROJECT OBSERVATION DETAILS Termination dates are not populated on the ISIS file for actions indicating a transfer from one LASERS reporting agency to a different reporting agency.</p> <p>STATUS PRIOR TO CURRENT PROJECT Per Member Services, this item was addressed as part of the recent SOLARIS changes made to the enrollment process which was completed during the June 2015 build.</p> <p>CURRENT PROJECT OBSERVATION DETAILS Currently, termination dates populate from the HCM file if an individual is transferring from an agency that performs employee payroll in the HCM system to an agency that does not. However, when an individual transfers from an agency that performs employee payroll in the HCM system to another that also uses the HCM system in this way, a termination date is not consistently included on the file. The absence of the termination date in certain situations allow for an incorrect termination date to be entered by a LASERS employee or the inactive batch process.</p>	<p>LASERS staff should work with the Office of Statewide Uniform Payroll (OSUP) staff to evaluate the reason for these inconsistencies and, as necessary, revise the programming of the weekly HCM file to address this issue. SOLARIS programming should also be revised, if needed, to accommodate changes to the weekly HCM file. Member Services agrees with this recommendation and will notify OSUP of the discrepancies and provide them with examples. Member Services has also requested an audit report to analyze the detail action data provided by OSUP. The Information Technology Division will work with Member Services to revise application programming if necessary.</p> <p>February 2017 Update (Member Services): This item is still in the process of being completed. Please change the projected completion date to March 31, 2017.</p> <p>August 2017 Update (Member Services): Member Services is continuing to work with OSUP on a solution to address this issue. Please update the target completion date to December 31, 2017.</p> <p>December 2017 Update (Member Services): Member Services has notified OSUP of a potential problem specifically with Action Reason 06 on Transfer Events. The OSUP representative has stated that this is a busy time of year and it will take their technical team a while to research the problem. Please update expected target completion date to June 30, 2018.</p> <p>August 2018 Update (Member Services): Response received from LaGov IT on August 3, 2018.</p>
------	------------	-----	----------	---	---

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

					<p>Provided a new example as requested. No further response received. Please update the target date to December 31, 2018.</p> <p>November 2018 Update (Member Services): Please change projected completion date to December 31, 2019. We should also consider closing this item or changing the assigned user, as this item is not anything that LASERS has control over. All information has been provided to the LaGov team along with several possible reasons why this issue occurs. We have received little to no response from that team, and we have no way to prioritize this issue for another agency.</p> <p>March 2019 Update (Audit Services): The LaGov team has been contacted to escalate this item for a response and timeline of completion. The LaGov team is currently working on a proposal to address this item.</p>
1123	Address Update Process	02	3 - Low	<p>DMS Mail Management, Inc. (DMS) contractually provides printing, postage, mailing, and address validation services for LASERS. Bulk member correspondence such as the LASERS Beam, member annual statements, minimum required distribution (MRD) letters and 1099R statements are processed and mailed by DMS. The contract with DMS also contains provisions for the review of mail recipient addresses prior to printing and mailing correspondence. Additionally, in order for LASERS to receive a discounted postage rate, DMS must perform an address validation service.</p> <p>During the address validation process, mail recipient addresses are compared to change of address data in the National Change of Address</p>	<p>Member Services should work with IT and DMS to perform a pilot project that will consist of processing a subset of the address changes identified by DMS. This pilot project will allow for:</p> <ul style="list-style-type: none"> <li>--Address changes to be validated as accurate.</li> <li>--Less manpower resources to be deployed, since only a subset of changes will be processed.</li> <li>--A process to be established for handling these changes.</li> </ul> <p>IT and Member Services agree with this recommendation. IT noted that they can work the business to develop a better process. IT also noted that completion date of the pilot project will depend upon business priority and Project Planning Council (PPC) direction. This item is low priority with no expected completion date assigned. March 2014 Update: No status change update. September 2014</p>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

(NCOA) database. The process identifies member addresses that have been changed with the United States Postal Service (USPS) that do not match the address on file with LASERS in SOLARIS. After DMS performs the address validation process, a file of address changes is produced.

Testing was performed to identify the number of addresses containing an address in the NCOA database, not on file with LASERS. A file containing address data of approximately 100,000 active members and active payees was submitted to DMS. The file of address changes received from DMS showed that approximately 2,900 individuals recently changed their address according to the NCOA database. Of the 2,900 addresses, approximately 72 percent belong to active members and 28 percent belong to payees.

LASERS current business rule is to utilize address information received from agencies to maintain member addresses in SOLARIS. Additionally, for payees, LASERS relies on individuals submitting change of address forms and updating addresses via RSS. LASERS does not currently receive address changes resulting from the address verification process performed against the NCOA database; however, this information can be provided by DMS.

A process to review and update existing member address discrepancies between LASERS and the NCOA database would reduce the amount of return mail and ensure correspondence is sent to the most current address. Once the historical

Update: No status change update. March 2015 Update: No status change update. September 2015 Update: Member Services is collecting some statistics and information regarding this process over the next month. After this, some proposals will be developed for discussion and review.

March 2016 Update (Member Services): Member Services will take another look at this process. We will gather information, analyze it, and come up with a proposed solution. This will require discussions with other divisions including Executive. I propose a revised target date of December 31, 2016.

December 2016 Update (Member Services): Member Services received an electronic document from BR printing of the National Change of Address (NCOA) listing and has worked with IT to combine it with LASERS data and match it to the correct LASERS member. Member Services has reviewed the spreadsheet for a confidence level. From this point, we are notating how many were active versus retired and discussing with management the best way to proceed in light of the results of this analysis and research. After the next steps are determined, Member Services will discuss our approach with Audit Services and then work with IT to implement an agreed upon solution. Adjusted expected completion date June 30, 2017.

June 2017 Update (Member Services): Based on the Spring NCOA report provided to PID, all agency liaisons with possible incorrect member addresses were emailed with a list of their employees on the report. The HR liaisons were instructed to update addresses in LaGov or ESS. A letter was just approved and will be sent to retirees on the list (approx. 750) instructing them on

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

				discrepancies identified above have been reviewed and resolved, a similar process could be periodically formed to more research returned correspondence to further increase the integrity of member and payee addresses.	<p>how to update their address. We will analyze the next NCOA report to determine if the number of possible incorrect addresses has changed. A proposal will be made to make this a recurring project. The results will be analyzed against the next NCOA late summer. New target completion date September 30, 2017.</p> <p>September 2017 Update (Member Services): Expected completion prior to December 31, 2017.</p> <p>December 2017 Update (Member Services): Procedures are being finalized. Request new estimated completion date of February 28, 2018.</p> <p>March 2018 Update (Member Services): Revised procedures developed and to be reviewed by management. To allow for revision time and completion, request new target completion date of May 31, 2018.</p> <p>May 2018 Update (Member Services): Revise target completion date to December 31, 2018 to allow for second run of pilot address project and determine success of changed procedure. Once run, will verify the project and procedures with management.</p> <p>December 2018 Update (Member Services): Request target completion of December 31, 2019.</p>
1818	Benefit Calculation Review	01A	3 - Low	A sample of benefit calculations finalized in 2016 and 2017 were randomly selected for independent recalculation by Audit Services. Exception results from analytic queries were also reviewed and independent recalculations were performed, where necessary. Lastly, calculations that required a recalculation as identified during the post-final calculation check performed by the	<p>Member Services should examine the benefit calculation process based on the issues noted above and determine which areas should be strengthened to minimize calculation errors.</p> <p>Member Services agrees with this recommendation. The corrective action plan for this item is noted below.</p>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*



Member Services quality control analyst were reviewed by Audit Services.

Of the 186 calculations tested by Audit Services, there were four benefit calculation errors identified. Detailed observations are outlined in the table below.

The formula used to determine the maximum monthly base retirement benefit is: service credit times final average compensation times retirement plan accrual rate. If any component of this formula is incorrect, the monthly benefit amount will be in error. Member Services conducts an in-depth review of the member's record when performing the preliminary calculation, final calculation, and the final approval phases of the retirement calculation process. Additionally, the same individual does not perform a successive step in the retirement calculation process. For example, the individual that performs the preliminary calculation is not able to perform the final calculation.

The monthly benefit amount for one individual in DROP accrual was overstated due to a discrepancy in the final average compensation (FAC) calculation. SOLARIS did not accurately calculate the FAC because several months in the FAC period were double the amount of the actual earnings reported to LASERS. This resulted in a benefit overpayment of \$371.06 per month.

Member Services has taken the necessary action to correct this record.

Corrective Action Plan (Short-Term) (CLOSED)

The following actions have been taken to address the Disability to Regular related issues:

- The Disability to Regular worksheet has been corrected.
- The Quality Assurance (QA) Specialist has begun checking all Disability to Regular calculations.

In regards to FAC, a minimum of two analysts will continue to check FAC before the calculation is finalized and no short-term changes are recommended to this process.

Corrective Action Plan (Long-Term) (OPEN)

There are future plans to make the following changes in SOLARIS related to the issues noted in the observation:

- Incorporate the Disability to Regular process into the calculation module.
- Simplify and redesign the FAC calculation method.

The priority for this long-term plan has been set as low for the following reasons:

- Very low volume of Disability to Regular calculations.
- Changes noted in the short-term corrective action plan.
- The current controls in place to verify the accuracy of the FAC.

The target completion date for this long-term plan will be established no later than December 31, 2018.

Member Services (December 2018):

Request a change of the target completion date to December 31, 2019. We will continue with the short-term solution until IT can make changes to SOLARIS.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*



1818 Benefit Calculation Review	01B	3 - Low	<p>A recalculation was performed changing the member's monthly benefit amount prospectively. A deduction of \$5,182.87 was made to the member's DROP account to correct the balance for the overpayment from previous months.</p> <p>A sample of benefit calculations finalized in 2016 and 2017 were randomly selected for independent recalculation by Audit Services. Exception results from analytic queries were also reviewed and independent recalculations were performed, where necessary. Lastly, calculations that required a recalculation as identified during the post-final calculation check performed by the Member Services quality control analyst were reviewed by Audit Services.</p> <p>Of the 186 calculations tested by Audit Services, there were four benefit calculation errors identified. Detailed observations are outlined in the table below.</p> <p>The formula used to determine the maximum monthly base retirement benefit is: service credit times final average compensation times retirement plan accrual rate. If any component of this formula is incorrect, the monthly benefit amount will be in error. Member Services conducts an in-depth review of the member's record when performing the preliminary calculation, final calculation, and the final approval phases of the retirement calculation process. Additionally, the same individual does not perform a successive step in the retirement calculation process. For example, the individual that performs the preliminary calculation is not</p>	<p>Member Services should examine the benefit calculation process based on the issues noted above and determine which areas should be strengthened to minimize calculation errors.</p> <p>Member Services agrees with this recommendation. The corrective action plan for this item is noted below.</p> <p>Corrective Action Plan (Short-Term) (CLOSED)</p> <p>The following actions have been taken to address the Disability to Regular related issues:</p> <ul style="list-style-type: none"> <li>•The Disability to Regular worksheet has been corrected.</li> <li>•The Quality Assurance (QA) Specialist has begun checking all Disability to Regular calculations.</li> </ul> <p>In regards to FAC, a minimum of two analysts will continue to check FAC before the calculation is finalized and no short-term changes are recommended to this process.</p> <p>Corrective Action Plan (Long-Term) (OPEN)</p> <p>There are future plans to make the following changes in SOLARIS related to the issues noted in the observation:</p> <ul style="list-style-type: none"> <li>•Incorporate the Disability to Regular process into the calculation module.</li> <li>•Simplify and redesign the FAC calculation method.</li> </ul> <p>The priority for this long-term plan has been set as low for the following reasons:</p>
---------------------------------	-----	---------	---	--

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

				able to perform the final calculation.	<ul style="list-style-type: none"> <li>•Very low volume of Disability to Regular calculations.</li> <li>•Changes noted in the short-term corrective action plan.</li> <li>•The current controls in place to verify the accuracy of the FAC.</li> </ul>
				The monthly benefit amount for two retirees were overstated due to the use of incorrect retirement option actuarial factors. Both individuals converted from disability to regular retirement with an IBO option. The disability to regular calculation utilized the factors from the original calculation instead of the factors in place at the time the disability to regular calculation was performed. This resulted in a benefit overpayment of \$12.10 and \$22.50 per month for each individual respectively.	The target completion date for this long-term plan will be established no later than December 31, 2018.
				Member Services has taken the necessary action to correct this record.	Member Services (December 2018): Request a change of the target completion date to December 31, 2019. We will continue with the short-term solution until IT can make changes to SOLARIS.
				A recalculation was performed changing the monthly benefit amount for each member prospectively. Member Services submitted the details of these exceptions to Legal for review and it was determined that the retroactive overpayments totaling \$677.44 should not be collected.	
1818	Benefit Calculation Review	01C	3 - Low	<p>A sample of benefit calculations finalized in 2016 and 2017 were randomly selected for independent recalculation by Audit Services. Exception results from analytic queries were also reviewed and independent recalculations were performed, where necessary. Lastly, calculations that required a recalculation as identified during the post-final calculation check performed by the Member Services quality control analyst were reviewed by Audit Services.</p> <p>Of the 186 calculations tested by Audit Services,</p>	<p>Member Services should examine the benefit calculation process based on the issues noted above and determine which areas should be strengthened to minimize calculation errors.</p> <p>Member Services agrees with this recommendation. The corrective action plan for this item is noted below.</p> <p>Corrective Action Plan (Short-Term) (CLOSED)</p> <p>The following actions have been taken to address the Disability to Regular related issues:</p>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

there were four benefit calculation errors identified. Detailed observations are outlined in the table below.

The formula used to determine the maximum monthly base retirement benefit is: service credit times final average compensation times retirement plan accrual rate. If any component of this formula is incorrect, the monthly benefit amount will be in error. Member Services conducts an in-depth review of the member's record when performing the preliminary calculation, final calculation, and the final approval phases of the retirement calculation process. Additionally, the same individual does not perform a successive step in the retirement calculation process. For example, the individual that performs the preliminary calculation is not able to perform the final calculation.

The monthly benefit amount for one retiree was understated due to the use of an incorrect retirement option actuarial factor and the exclusion of the 1986 cost of living adjustment (COLA). This individual elected to convert from disability to regular retirement with an IBO option effective June 30, 2017. The disability to regular calculation utilized the factor scheduled to be effective on July 1, 2017 instead of the one in place on June 30, 2017. Furthermore, the member should have received an additional \$25 per month for being hired prior to July 1, 1986. This was missing from the member's original disability calculation. These discrepancies resulted in a total benefit underpayment of \$23.39 per month.

- The Disability to Regular worksheet has been corrected.
- The Quality Assurance (QA) Specialist has begun checking all Disability to Regular calculations.

In regards to FAC, a minimum of two analysts will continue to check FAC before the calculation is finalized and no short-term changes are recommended to this process.

**Corrective Action Plan (Long-Term) (OPEN)**

There are future plans to make the following changes in SOLARIS related to the issues noted in the observation:

- Incorporate the Disability to Regular process into the calculation module.
- Simplify and redesign the FAC calculation method.

The priority for this long-term plan has been set as low for the following reasons:

- Very low volume of Disability to Regular calculations.
- Changes noted in the short-term corrective action plan.
- The current controls in place to verify the accuracy of the FAC.

The target completion date for this long-term plan will be established no later than December 31, 2018.

Member Services (December 2018):

Request a change of the target completion date to December 31, 2019. We will continue with the short-term solution until IT can make changes to SOLARIS.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

Member Services has taken the necessary action to correct this record.

A recalculation was performed changing the member's monthly benefit prospectively. A payment of \$3,580.76 was issued to the member for the underpayment from previous months.

**Engagement #  
and Title****Item # Priority Observation****Recommendation/Audit Comments**

1001 Service Credit Purchases and Transfers	01C	1 - High	<p>Currently, check requests for transfer out processing are sent to Fiscal by Member Services through a manual process performed outside of SOLARIS. The functionality exists in SOLARIS to automate the check request process for transfer out processing, but has been disabled due to inaccuracies described in Observation 1A above.</p> <p>Furthermore, a manual control is currently in place which helps to ensure that the check request amount does not exceed the amount of funds available for transfer plus any applicable interest. However, this control is not in place in SOLARIS.</p> <p>There is an increased risk of inaccurate payment of funds due to the reliance on this manual process.</p> <p>It should be noted that Fiscal has entered CCR 10441 related to correcting the functionality of the check request portion of the transfer out process.</p>	<p>Member Services should work with Fiscal and IT to automate the check request process in the Transfer Out module of SOLARIS.</p> <p>Additionally, an edit should be created for this process that will not allow the check request amount to exceed the amount of funds available for transfer plus any applicable interest. TFS Bug 22106 has been entered to address this item. This item has been included on the IT Project Plan; however, a proposed completion date has not been set at this time. Further discussion related to this project will be held at the Project Planning Committee meeting schedule for the first half of 2012.</p> <p>TFS Bug 22106 has not been worked. In addition, TFS Change Request 24841 has been entered to address this issue but also has not been worked. The target completion date is June 30, 2013. August 2013 Update: Member Services has begun working with IT on the SOLARIS purchase/transfer module and this item will be reviewed during that project. March 2014 Update: No status change update. September 2014 Update: No status change update. March 2015 Update: No status change update. New expected completion date of December 31, 2016.</p> <p>December 2016 Update (Member Services): IT is currently working on the enhancement of the transfer out module. New requested target completion date of June 30, 2017.</p> <p>June 2017 Update (Member Services): This portion of the transfer out module will be completed</p>
---	-----	----------	--	--

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

					by December 31, 2017.
					December 2017 Update (Member Services): Request update of expected target completion date to December 31, 2018.
					November 2018 Update (Member Services): Request update of expected target completion date to December 31, 2019.
1628	Review of Processes Related to Unsheltered Funds (Safe Harbor)	01A	1 - High	<p>Safe harbor funds are applied to member records and validated by various automated and manual processes. The applied safe harbor funds are recovered when payments are issued. The primary automated approach is facilitated through SOLARIS processing. The primary manual approach is through a review and verification approach using documented processing procedures. The primary goal of each method is to ensure that all payments include the appropriate amount of safe harbor funds in the situations where safe harbor funds should be applied. Despite these efforts, there are situations where the following types of errors occur:</p> <p>Scenario 1: The incorrect amount of safe harbor funds is applied to a benefit payment.</p> <p>Scenario 2: Safe harbor funds are not applied to a benefit payment and should be.</p> <p>Scenario 3: Safe harbor funds are applied to a benefit payment and should not be.</p> <p>Scenario 4: Data discrepancies between safe harbor data stored in various modules within SOLARIS which do not affect any benefit payments issued.</p>	<p>Member Services should work with Fiscal and IT to establish a process to effectively identify safe harbor exceptions on a timely basis. The developed solution should include, at a minimum, the following:</p> <ul style="list-style-type: none"> <li>•Identify exceptions across all transactions and data where safe harbor related activity can exist.</li> <li>•Ability to identify exceptions at various points in time (i.e., ad-hoc basis, daily, monthly, annually).</li> <li>•Consider including the identification of exceptions prior to running monthly pension payroll which would allow for the vast majority of safe harbor related issues to be corrected before impacting the payee's taxable income.</li> </ul> <p>Furthermore, as exceptions are identified, they should be reviewed to determine the root cause of the exception and corrective action taken accordingly (i.e., employee training, system changes, procedure changes).</p> <p>Member Services agrees with this recommendation. Member Services plans to take the following corrective action:</p> <ul style="list-style-type: none"> <li>•Meet with Audit and Fiscal and gain a better understanding of the logic and methods used to identify the different types of errors that were found.</li> <li>•Work with IT to implement a Safe Harbor exception report, which will allow us to identify exceptions at any point in time. Member Services plans to run this report one</li> </ul>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

As an effort to mitigate the impact of these errors, the Fiscal Division runs an annual query toward the end of the calendar year to identify and correct possible safe harbor related errors prior to the issuance of 1099-R Forms. Safe harbor related errors falling into scenarios 1 through 3 can cause the following:  
The taxable income could either be overstated or understated in the year the error occurred and in some cases subsequent years thereafter. It is not possible for LASERS to measure the level of impact to each individual because each person's tax liability is based on many unknown unique and varying circumstances.  
LASERS would be out of compliance with certain Internal Revenue Code (IRC) provisions.

As part of this engagement, Audit Services performed independent testing to ensure that the various established controls were effective at preventing safe harbor related errors and identifying errors in a timely manner and facilitating the appropriate corrective action. The testing focused on validating newly created safe harbor events since January 1, 2014 and covered all types of transactions that includes potential safe harbor activity. This starting period was selected because Audit Services participated in an agency-wide safe harbor project in 2011-2013 which included the review of exceptions. The results of the current testing are outlined in the chart below. It should be noted that some of these items are currently in the process of being corrected. Furthermore, the cause of these discrepancies range from human error, procedure breakdown, and other risks associated

week prior to monthly payroll and review each exception to determine the root cause and take the appropriate corrective action identified.

•Work with Audit to identify any exceptions based on the existing Audit reports while the creation and implementation of the new Safe Harbor exception report is in progress.

Furthermore, IT noted that they plan to work with all related parties to help implement a solution within the timeframe deemed appropriate by the business.

June 2017 Update (Member Services):  
Project OPTIMUS has caused some delay for both Member Services and IT. Please update target completion date to October 15, 2017.

September 2017 Update (Member Services):  
Due to limited available IT resources and the complexity of the reports, the completion date will be postponed. Please update the target completion date to October 31, 2018.  
Member Services will continue to work with Audit to utilize and fine-tune the results manually generated by Audit.

November 2018 Update (Member Services):  
Pending IT resources, please update target date to December 31, 2019.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*



with a manual process.

Scenario (as outlined above) with the number of confirmed discrepancies:

Scenario 1: 44  
Scenario 2: 4  
Scenario 3: 7  
Scenario 4: 49  
Total: 104

1026 Domestic Relations Order Process

02C1 2 - Medium

The SOLARIS functionality used to process alternate payee records, commonly referred to as the DRO Wizard, should be enhanced. The DRO Wizard exists in SOLARIS to help facilitate the creation of alternate payee records and to divide benefits. During this review, several areas were identified for improvement within the DRO Wizard that would enhance automation and increase the effectiveness and efficiency of the DRO process.

Various modules in SOLARIS operate using tracking functionality, such as disability and survivor. The tracking functionality can help to facilitate making adjustments or corrections and various workflow processes. Currently, the DRO Wizard does not facilitate this type of functionality.

The DRO Wizard is only accessible when a user creates a new alternate payee record. Once the alternate payee record is created, users cannot access the DRO Wizard again for that payee record. Any adjustments or corrections that need to be made must be performed by modifying the gross components on the payee record.

The SOLARIS functionality used to process alternate payee records, commonly referred to as the DRO Wizard, should be enhanced. The DRO Wizard exists in SOLARIS to help facilitate the creation of alternate payee records and to divide benefits. During this review, several areas were identified for improvement within the DRO Wizard that would enhance automation and increase the effectiveness and efficiency of the DRO process.

Various modules in SOLARIS operate using tracking functionality, such as disability and survivor. The tracking functionality can help to facilitate making adjustments or corrections and various workflow processes. Currently, the DRO Wizard does not facilitate this type of functionality.

The DRO Wizard is only accessible when a user creates a new alternate payee record. Once the alternate payee record is created, users cannot access the DRO Wizard again for that payee record. Any adjustments or corrections that need to be made must be performed by modifying the gross components on the payee record.

Additionally, DROs are calculated once a member's final benefit has been approved. There is currently not a process in place to review DRO calculations prior to

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*



				<p>Additionally, DROs are calculated once a member's final benefit has been approved. There is currently not a process in place to review DRO calculations prior to paying benefits. A review process is needed to help ensure that benefit divisions are calculated correctly prior to payments being issued.</p>	<p>paying benefits. A review process is needed to help ensure that benefit divisions are calculated correctly prior to payments being issued.</p> <p>December 2017 Update (Member Services): Request change of estimated completion date to December 31, 2018, pending IT resources.</p> <p>November 2018 Update (Member Services): Please change projected completion date to December 31, 2019.</p>
1012	1099R Review	03A	3 - Low	<p>SOLARIS user security allows the ability to manually adjust the safe harbor original and safe harbor monthly exclusion amount for a payee. Since both of these amounts are derived by SOLARIS upon retirement, these fields should not be editable without establishing system controls that reduce the risk of manual error. Currently, there are no controls within SOLARIS to ensure that changes to safe harbor information are approved.</p> <p>Due to the nature of the safe harbor calculation, adjustments may need to be made; however, the process to make these adjustments should be established and include the appropriate controls. The process should ensure that changes require a review and approval process before being made. In addition, the process should take into consideration the point at which the adjustment is being made. If the adjustment to safe harbor information is made after the first benefit payment has been issued, then a recalculation of the safe harbor components will be necessary. SOLARIS does not currently have a process in place to properly handle the recalculation of safe</p>	<p>Member Services should work with IT to establish a process within SOLARIS that ensures updates to safe harbor original and monthly exclusion amounts occur in a controlled environment. Some possible solutions are as follows:</p> <ol style="list-style-type: none"> <li>1. Modify SOLARIS user security to prevent users from modifying these fields and utilize the data System Investigation Request (SIR) process to make changes that arise. The data SIR process would require a documented change that requires approval and is made by an IT staff member which would be independent of the retirement process.</li> <li>2. Create a mandatory review of the data change before the record can be saved within SOLARIS. The independent reviewer would approve the change. This differs from the first item in that ongoing IT involvement would not be necessary to make changes.</li> </ol> <p>Member Services and IT agree with this recommendation. The "Data SIR" process is not the proper long-term process for making changes to any business data fields in SOLARIS. The margin for error is too high and often leads to mistakes and unintended consequences affecting other SOLARIS data.</p>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

harbor information after the retiree has received a benefit payment.

It should be noted that a legal opinion has been requested by Fiscal seeking guidance on the proper method to use when correcting a member's safe harbor information after their first benefit payment has been issued.

The recommendation of adding a mandatory review process or integrating these changes with SOLARIS security would be a better long term process. Member Services will review and determine the proper course of action and enter a SOLARIS change request. The completion date will be assigned based on the priority of this request. The current manual practice is to forward safe harbor worksheet to the appropriate Member Services supervisor for correction. Once safe harbor is fixed, a SIR is entered to limit access to the change. The SOLARIS change will be part of an overall project to modify SOLARIS to address safe harbor related issues. Further discussion related to this project will be held at the Project Planning Committee meeting schedule for the first half of 2012. TFS Change Request 24889 was created which contains several SOLARIS changes related to safe harbor and this item is one on the list. Due to the business and IT resources dedicated to SOLARIS changes related to legislation and select prioritized requests by Member Services, this request is not on the schedule.

December 2016 Update:

A control has been established that will not allow a safe harbor original amount change unless the payee amount matches the benefit account. This control functions similar to not allowing this field to be changed which closes that portion of this item. As for the monthly exclusion amount, this is Member Services current plan of action. Once all processes are redistributing and recalculating safe harbor properly, the monthly exclusion amount field will be made uneditable. Until then, the desk procedures, worksheets, and reports will serve as the controls in place. Furthermore, a report will be developed to be sent to MS Supervisors notifying them of anyone who had manual changes to the monthly exclusion amount

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

					in the past month.
					February 2017 Update (Member Services): This item is still in the process of being completed. Please change the projected completion date to June 30, 2017.
					June 2017 Update (Member Services): The new report is scheduled to be implemented in SOLARIS in the 3rd quarter of 2017. Please update projected completion date to September 30, 2017.
					September 2017 Update (Member Services): The report is still in development. Please extend projected completion date to March 31, 2018.
					April 2018 Update (Member Services): Please set new target completion date of December 31, 2018.
					December 2018 Update (Member Services): Please set new target completion date of December 31, 2019.
					January 2019 Update (Member Services): Monitoring of changes to safe harbor will be handled with the report outlined in Change Request 46859.
1014	Member Annual Statements	02	3 - Low	During a review of the annual statement exception reporting process, Audit Services observed that there were approximately 1,600 data exceptions listed in the Annual Statement Exception table stored in SOLARIS. However, the Annual Statement Exceptions report accessed through the SOLARIS Report module cited only one.  In addition, it was determined that 1,063 records	Member Services should enter a SOLARIS request and work with IT to review the SOLARIS functionality for generating annual statement exceptions and corresponding report(s). In addition to the current exceptions, consideration should be given to developing new exceptions which would enhance the annual statement testing process.  Once the Annual Statement Exceptions report is functional, Member Services should incorporate the review

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

were incorrectly identified as exceptions. These records were identified as individuals that had an estimated monthly benefit amount calculated which was either less than \$750 or greater than \$7,500. The estimated monthly retirement benefit amount for these records were \$0; therefore, an exception should not have been generated. It should be noted that the exceptions did not cause the annual statements to be incorrect.

The annual statement exception process should identify suspected data anomalies using certain parameters, which are based upon applicable LASERS laws, procedures and process logic. The details of these exceptions should also be accessible through the SOLARIS Report module to be used during the annual statement testing process.

of this report into their annual statement testing process.

Member Services and IT agree with this recommendation. IT can make these changes to the SOLARIS system once Member Services has reviewed and determined the needed process changes. The completion date will depend on the priority placed on this request. TFS Change Request 24601 has been entered to correct this issue. This is a low priority request with no set date for implementing. August 2013 Update: No change in status update. March 2014 Update: Member Services is planning to initiate several changes to annual statements for next year and plan to include this item in the list of changes. September 2014 Update: No status change update. March 2015 Update: Member Services is working with IT to update these reports. New expected completion date December 31, 2015.

March 2016 Update (Member Services):  
The existing exception report no longer has the usefulness it did at one point, or its intended usefulness, due to several years of updating retirement plans, as well as other factors. The Annual Statement (AS) project this year is still underway. We have been reviewing and using other existing reports during this project (ex: personal data missing, address missing, service reports) as well as adding additional reports (service over one year, etc). TFS item 24601 will be edited upon completion of the project and will include exceptions found to be useful to processing AS. Additional exception report items may be added as well. I will update once that change request has been updated with the information. The exception report will be added to the AS Procedures. Those items have an expected completion date of June 30, 2016. To coincide with those, I also request a June 30, 2016 date to complete and have implemented in AS procedures.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

September 2016 Update (Member Services):  
Annual statement TFS items are worked during the allotted AS project time with IT. This one should be worked as part of this year's project to find data issues that have not been addressed through the year via other exception reports. Request updated target completion date of December 31, 2016 to allow for creation and testing.

December 2016 Update (Member Services):  
This item is scheduled to be released by IT on the January 2017 SOLARIS build. Pending the date of the January 2017 build, this is expected to be released then. To allow for movement of the build date, I expect the completion to be no later than February 15, 2017.

February 2017 Update (Member Services):  
This item is pending the next SOLARIS build release and testing. Please change the projected completion date to June 30, 2017.

June 2017 Update (Member Services):  
Changes to the annual statement exception report are in progress. Request an adjusted target completion date of December 31, 2017, to allow the changes to be tested and finalized.

December 2017 Update (Member Services):  
Setting this in SOLARIS requires some resources unavailable at this time. Request update of estimated completion date for SOLARIS exception report to December 31, 2018. Until then, the following items will be added to the procedures being developed: - Member working after DROP, but in Active status - Exceptions on member records - Pending enrollment files - Earned

---

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

					Service credit calculated over one year - Member in refunded status with money in account - Invalid Address - Member has no contributions / no membership or agency information can be pulled - Member estimate calculated less than \$200 / More than \$15,000 - FAC > \$20,000; FAC <\$1,000
					November 2018 Update (Member Services): Request new target completion date of December 31, 2019.
1026	Domestic Relations Order Process	02A	3 - Low	<p>The SOLARIS functionality used to process alternate payee records, commonly referred to as the DRO Wizard, should be enhanced. The DRO Wizard exists in SOLARIS to help facilitate the creation of alternate payee records and to divide benefits. During this review, several areas were identified for improvement within the DRO Wizard that would enhance automation and increase the effectiveness and efficiency of the DRO process.</p> <p>Currently, a spreadsheet is used to calculate the division of benefits under the Sims formula. This step is performed because SOLARIS is not currently designed to perform this type of calculation. The Sims formula calculates percentages due to each individual, based upon the length of time married during LASERS membership.</p> <p>The percentages calculated on the spreadsheet are then entered into the DRO Wizard to divide the benefits. There is an increased risk of a benefit error due to the manual nature of this step</p>	<p>Member Services should work with IT to modify the DRO Wizard to calculate benefit divisions according to the Sims formula. Target completion date is March 31, 2012. Member Services and IT agree with this recommendation. IT noted that this recommendation is feasible from a technical perspective. TFS Change Request 24733 has been entered to address this item. This is a low priority item and no set date for completion has been assigned.</p> <p>March 2014 Update: No status change update.</p> <p>September 2014 Update: No status change update.</p> <p>March 2015 Update: No status change update. New expected completion date July 31, 2016.</p> <p>September 2016 Update (Member Services): New requested completion date of December 31, 2017. Some additional information regarding future process changes to address this item is as follows:</p> <ul style="list-style-type: none"> <li>• When a DRO is received, Legal would enter all of the details on how the DRO should be applied (basically implement the DRO Worksheet into SOLARIS, so that SOLARIS can automatically perform the split of benefits). Legal has agreed to perform this step in the process.</li> <li>• If the member is already retired, then Member Services</li> </ul>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

					<p>would perform some steps similar to what the DRO wizard currently does to apply the split to the existing benefit.</p> <ul style="list-style-type: none"> <li>• If the member is not yet retired, then the calculation process would be changed to automatically create the alternate payee and apply the correct benefit splits through all phases of the calculation process (this eliminates the need to have an account go on hold when the preliminary benefit is set up in SOLARIS).</li> </ul> <p>December 2017 Update (Member Services): Request change of estimated completion date to December 31, 2018, pending IT resources.</p> <p>November 2018 Update (Member Services): Please change projected completion date to December 31, 2019.</p>
1026	Domestic Relations Order Process	02D	3 - Low	<p>The SOLARIS functionality used to process alternate payee records, commonly referred to as the DRO Wizard, should be enhanced. The DRO Wizard exists in SOLARIS to help facilitate the creation of alternate payee records and to divide benefits. During this review, several areas were identified for improvement within the DRO Wizard that would enhance automation and increase the effectiveness and efficiency of the DRO process.</p> <p>The DRO Wizard currently does not facilitate a division of supplemental benefits, unused leave conversion benefits, and retroactive payments.</p> <p>When these types of benefits are to be divided between the retiree and alternate payee, benefit analysts must manually modify benefit components to ensure the benefit is divided properly.</p>	<p>Member Services should work with IT to modify the DRO Wizard so that supplemental benefits, benefits attributable to unused leave conversion, and retroactive payments can be divided between retirees and alternate payees.</p> <p>When outlining the SOLARIS modifications, consideration should be given to creating new benefit components to facilitate the division of the aforementioned benefits, similar to the method used to divide the base benefit for alternate payees. Target completion date is March 31, 2012. Member Services and IT agree with this recommendation. IT noted that this recommendation is feasible from a technical perspective and should be done sooner rather than later as determining what occurred is difficult when this type of change is made. TFS Change Request 24732 has been entered to address this item. This is a low priority item and no set date for completion has been assigned.</p> <p>March 2014 Update: No status change update.</p>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*



				<p>When dividing base retirement benefits, the DRO Wizard refers to base benefit components existing on the member record to create an alternate base benefit component on the alternate payee record. In order for the DRO Wizard to properly divide the benefits, a benefit component for each type of benefit must exist on the member record and a related alternate benefit component must exist to offset the retiree's benefit component.</p> <p>Additionally, it should be noted that a review of benefit components and related alternate benefit components was conducted. It was identified that a benefit component does not exist to divide supplemental benefits, unused leave conversion benefits, and retroactive supplemental benefits with an alternate payee.</p>	<p>September 2014 Update: No status change update.</p> <p>March 2015 Update: No status change update. New expected completion date July 31, 2016.</p> <p>September 2016 Update (Member Services): New requested completion date of December 31, 2017. Some additional information regarding future process changes to address this item is as follows:</p> <ul style="list-style-type: none"> <li>• When a DRO is received, Legal would enter all of the details on how the DRO should be applied (basically implement the DRO Worksheet into SOLARIS, so that SOLARIS can automatically perform the split of benefits). Legal has agreed to perform this step in the process.</li> <li>• If the member is already retired, then Member Services would perform some steps similar to what the DRO wizard currently does to apply the split to the existing benefit.</li> <li>• If the member is not yet retired, then the calculation process would be changed to automatically create the alternate payee and apply the correct benefit splits through all phases of the calculation process (this eliminates the need to have an account go on hold when the preliminary benefit is set up in SOLARIS).</li> </ul> <p>December 2017 Update (Member Services): Request change of estimated completion date to December 31, 2018, pending IT resources.</p> <p>November 2018 Update (Member Services): Please change projected completion date to December 31, 2019.</p>
1026	Domestic Relations Order Process	02E	3 - Low	<p>The SOLARIS functionality used to process alternate payee records, commonly referred to as the DRO Wizard, should be enhanced. The DRO Wizard exists in SOLARIS to help facilitate</p>	<p>Member Services should work with IT to modify the DRO Wizard, so it will facilitate the setting up of additional benefit components to be paid to an alternate payee until a specified amount is fulfilled. Additionally, the process</p>

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*



the creation of alternate payee records and to divide benefits. During this review, several areas were identified for improvement within the DRO Wizard that would enhance automation and increase the effectiveness and efficiency of the DRO process.

There are instances where DROs specify that an additional amount of money be paid to an alternate payee until a certain amount is fulfilled. Once fulfilled, the additional amount of money is added back to the benefit of the retiree or beneficiary. The DRO Wizard does not facilitate the handling of these situations.

Without manual modification of the starting and ending dates for benefit components, there is a risk that payees could be under- or over-paid.

should include adding the additional amount back to the retiree or beneficiary component when paid in full. Target completion date is March 31, 2012. Member Services and IT agree with this recommendation. IT noted that this recommendation is feasible from a technical perspective. This is a good idea for further enhancements to SOLARIS. IT recommends this be placed on the Change Request list and prioritized based on a business analysis comparing the value of this change in relation to the volume versus the effort. This is a low priority item with no set date for implementing.

March 2014 Update: No status change update.

September 2014 Update: No status change update.

March 2015 Update: No status change update. New expected completion date July 31, 2016.

September 2016 Update (Member Services):  
New requested completion date of December 31, 2017.  
Some additional information regarding future process changes to address this item is as follows:

- When a DRO is received, Legal would enter all of the details on how the DRO should be applied (basically implement the DRO Worksheet into SOLARIS, so that SOLARIS can automatically perform the split of benefits). Legal has agreed to perform this step in the process.
- If the member is already retired, then Member Services would perform some steps similar to what the DRO wizard currently does to apply the split to the existing benefit.
- If the member is not yet retired, then the calculation process would be changed to automatically create the alternate payee and apply the correct benefit splits through all phases of the calculation process (this eliminates the need to have an account go on hold when

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

1026	Domestic Relations Order Process	03	3 - Low	<p>It was observed that there is not a mechanism in SOLARIS to identify that a DRO exists on a member's record during the retirement process.</p> <p>The current DRO process includes not paying benefits to the retiree or alternate payee until after the final benefit calculation is approved and the DRO calculation is performed. However, there are automatic processes that take place in SOLARIS to begin paying monthly benefits, retroactive benefits, and lump-sum leave payments as they are approved. The retroactive payments and lump-sum leave payments are set up via the Supplemental Request module and paid during interim check run processing.</p> <p>When a DRO exists, benefit analysts must remember to stop any payments that are automatically created and place the benefit account on a "hold" status, so that benefits will not be paid prematurely. Since this process is manual, there is an increased risks that benefits could be paid prematurely, before the DRO calculation is performed.</p>	<p>the preliminary benefit is set up in SOLARIS).</p> <p>December 2017 Update (Member Services): Request change of estimated completion date to December 31, 2018, pending IT resources.</p> <p>November 2018 Update (Member Services): Please change projected completion date to December 31, 2019.</p> <p>Member Services should work with IT to enhance the SOLARIS Process Retirement module to include a DRO indicator field. When this field is marked to indicate that a DRO is on file, SOLARIS should:</p> <ul style="list-style-type: none"> <li>- Automatically place the benefit account in a "hold" status.</li> <li>- Not allow any benefits or retroactive payments to be generated.</li> <li>- Generate a benefit component for lump-sum leave and retroactive payments only once the final calculation is approved. When the DRO calculation is performed, these gross components would be able to be divided appropriately.</li> </ul> <p>Once the DRO calculation is finalized, the benefit account status would be changed to an "active" status by either the DRO benefit analyst manually updating the benefit account status or an automated process could run. Target completion date is March 31, 2012. Member Services and IT agree with this recommendation. IT noted that this recommendation is feasible from a technical perspective. In addition, there is currently a way to identify DROs in SOLARIS under legal documents which could serve as the flag. TFS Change Request 24731 has been entered to address this item. This is a low priority item and no set date for completion has been assigned.</p> <p>March 2014 Update: No status change update.</p>
------	----------------------------------	----	---------	---	--

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

1510	Benefit Calculation Review	01B	3 - Low	A sample of benefit calculations finalized in 2014 was randomly selected for independent recalculation by Audit Services. Exception results from analytic queries were also reviewed	<p>September 2014 Update: No status change update.</p> <p>March 2015 Update: No status change update. New expected completion date July 31, 2016.</p> <p>September 2016 Update (Member Services): New requested completion date of December 31, 2017. Some additional information regarding future process changes to address this item is as follows:</p> <ul style="list-style-type: none"> <li>• When a DRO is received, Legal would enter all of the details on how the DRO should be applied (basically implement the DRO Worksheet into SOLARIS, so that SOLARIS can automatically perform the split of benefits). Legal has agreed to perform this step in the process.</li> <li>• If the member is already retired, then Member Services would perform some steps similar to what the DRO wizard currently does to apply the split to the existing benefit.</li> <li>• If the member is not yet retired, then the calculation process would be changed to automatically create the alternate payee and apply the correct benefit splits through all phases of the calculation process (this eliminates the need to have an account go on hold when the preliminary benefit is set up in SOLARIS).</li> </ul> <p>December 2017 Update (Member Services): Request change of estimated completion date to December 31, 2018, pending IT resources.</p> <p>December 2018 Update (Member Services): Request change of estimated completion date to December 31, 2019, pending IT resources.</p> <p>Member Services should examine the benefit calculation process based on the issues noted above and determine which areas should be strengthened to minimize calculation errors. Member Services has taken the</p>
------	----------------------------	-----	---------	--	---

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

and independent recalculations were performed, where necessary. Lastly, calculations that required a recalculation as identified during the post-final calculation check performed by the Member Services quality control analyst were reviewed by Audit Services.

Of the 103 calculations tested by Audit Services, there were four benefit calculation errors identified which resulted in a net overpayment of \$1,175.42. Detailed observations are outlined below.

The formula used to determine the maximum monthly base retirement benefit is: service credit times final average compensation times retirement plan accrual rate. If any component of this formula is incorrect, the monthly benefit amount will be in error. Member Services conducts an in-depth review of the member's record when performing the preliminary calculation, final calculation, and the final approval phases of the retirement calculation process. Additionally, the same individual does not perform a successive step in the retirement calculation process. For example, the individual that performs the preliminary calculation is not able to perform the final calculation.

The initial retroactive benefit payment made to one beneficiary was in error. The retiree's monthly base benefit was used to calculate the initial retro payment instead of the beneficiary's monthly base benefit. This resulted in a one-time benefit overpayment of \$614.20.

necessary action to correct the record. TFS change request 31982 was previously entered which relates to adding a secondary approval to the beneficiary setup process in SOLARIS. Furthermore, the death process procedures are being updated and the staff is verifying the manually created retroactive benefit payments, until the death process in SOLARIS is changed.

June 2016 Update (Member Services):  
The TFS item is currently a low priority given what is on the horizon for SOLARIS updates (Purchasing & Disability to Regular). We recommend a new target completion date of July 1, 2017. In the interim, Member Services is verifying the manually created retroactive benefits are correct and the appropriate procedures have been updated to reflect this change.

July 2017 Update (Member Services):  
The new projected completion date of TFS CR 31982 is March 31, 2018.

April 2018 Update (Member Services):  
The new projected completion date of TFS CR 31982 is December 31, 2018. Please update the target completion date of this recommendation to match this date.

November 2018 Update (Member Services):  
Request target date to be changed to December 31, 2019 to allow for IT to complete the process.

SOLA PHASE V 11 3 - Low Issue\_AS\_2005\_045 Security of EE files

SOLARIS should be designed to prevent employees from

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

RIS

processing transactions related to their own account (i.e refund, retirement).

The user is restricted from updating their own account in certain modules in SOLARIS but not all. TFS Bug 17521 has been assigned and scheduled to be completed by December 31, 2009. This request is currently in rejected status but the issue is not resolved. TFS Bug 17521 has been reopened since an individual is able to refund themselves, but not retire themselves. This item is expected to be completed by December 31, 2013. March 2014 Update: No status change update. September 2014 Update: No status change update. March 2015 Update: No status change update. September 2015 Update: No status change update.

March 2016 Update (Member Services):  
We are still working with IT to figure out the best possible resolution to this problem. Please give new expected completion date of July 1, 2016.

September 2016 Update (Member Services):  
Due to staffing changes, the priority of this work item was overlooked. Also, more pressing issues in SOLARIS have taken priority. Please update expected completion date to June 30, 2017.

June 2017 Update (Member Services):  
This item is still under consideration; however, the resolution is still not clear. We are still working with IT on the best resolution. Please update projected completion to December 31, 2017.

November 2017 Update (Member Services):  
Replaced original TFS item with Requirement 41325.  
Bugs will be linked to this requirement to address specific

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

SOLA PHASE V  
RIS 50 3 - Low Issue\_AS\_2006\_115 Birth date field edits

functionality. Once all bugs are closed, the requirement will be closed.

December 2017 Update (Member Services):  
Request change of estimated completion date to December 31, 2018, pending IT resources.

November 2018 Update (Member Services):  
Most items have been completed under the new TFS item, but there are still two items where the internal user validation needs to be updated. Please change projected completion date to December 31, 2019, pending IT resources.

Parameters should be set in SOLARIS on the member's date of birth field to not accept dates of birth that would make the member less than or older than a predefined age.

There are edits in place in Employer Self Service (ESS) Member Enrollment and Maintenance that require the DOB make the member at least 16 and no older than 99. Additionally, TFS Change Request 24172 has been entered to apply the same/similar validation parameters to the Date of Birth field in the Maintain Person Module as exist in the Enrollment and Employer Self Service Modules. Scheduled to be completed by December 31, 2009. This is a low priority item with no set date for implementing. March 2014 Update: No status change update. September 2014 Update: No status change update. March 2015 Update: No action taken at this time since it requires further discussion. New expected completion date December 31, 2015.

March 2016 Update (Member Services):  
After discussion with the Audit Team, Member Services agrees that while validation rules being in place for age

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

SOLA PHASE V  
RIS

52

3 - Low

Issue\_AS\_2006\_117 Date of birth should not be equal to or after the member's hire date

restrictions may not be in our interest, we do need a process within SOLARIS that will identify enrollment anomalies (including age checking) in order to decide whether or not something needs to be done, and to at least verify the data sent by the agency was accurate. We will begin design and implementation of this process. Please set a new projected completion date of March 31, 2017 for follow-up.

June 2017 Update (Member Services):  
Please set new projected completion date of March 31, 2018.

April 2018 Update (Member Services):  
Please set new target completion date of December 31, 2018.

December 2018 Update (Member Services):  
Please change projected completion date to December 31, 2019.

January 2019 Update (Member Services):  
Report will be implemented under TFS 46856.

SOLARIS should not allow the date of birth to be equal to or after the member's hire date.

TFS Change Request 24172 has been entered to apply the same validation parameters to the Date of Birth field in the Maintain Person Module as exist in the Enrollment Module. Scheduled to be completed by December 31, 2009. This is a low priority request with no set date for implementing. March 2014 Update: No status change update. September 2014 Update: No status change update. March 2015 Update: No action taken at this time since it requires further discussion. New expected completion date December 31, 2015.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

March 2016 Update (Member Services):  
After discussion with the Audit Team, Member Services agrees that while validation rules being in place for age restrictions may not be in our interest, we do need a process within SOLARIS that will identify enrollment anomalies (including age checking) in order to decide whether or not something needs to be done, and to at least verify the data sent by the agency was accurate. We will begin design and implementation of this process. Please set a new projected completion date of March 31, 2017 for follow-up.

June 2017 Update (Member Services):  
Please set new projected completion date of March 31, 2018.

April 2018 Update (Member Services):  
Please set new target completion date of December 31, 2018.

December 2018 Update (Member Services):  
Please set new target completion date of December 31, 2019.

January 2019 Update (Member Services):  
Report will be implemented under TFS 46856.



# Risks that Management has decided to Accept (Open Items)

Status Date

2/1/2019

Engagement #  
and Title

Item # Priority Observation

Recommendation/Audit Comments

1030	Business Continuity and Disaster Recovery	02B	2 - Medium	<p>In the event of a disaster that renders LASERS data center inoperable, the current contract with SunGard provides that LASERS, upon request, would be supplied with a mobile trailer. This trailer will contain all the IT equipment necessary for LASERS to continue business and will serve as a temporary data center. A mobile data center has the benefit of mobility since it is difficult to determine where LASERS operations would be moved to. In addition, LASERS also has the option to request to use one of SunGard's physical facilities to restore operations.</p> <p>Currently, the annual cost to retain SunGard's services is \$69,408. To acquire the mobile data center after a disaster, there would be an initial fee of \$12,500. LASERS would also be required to pay a daily rate of \$1,250 from the day of declaration and on day 31, the daily rate would increase to \$3,000 a day.</p> <p>Outside of the fees paid to SunGard, LASERS would incur additional costs to utilize the mobile data center. SunGard only provides the hardware items and limited work space. Some examples of</p>	<p>Risk Acceptance Comments:</p> <p>The mobile data center option does not increase the monthly cost of LASERS contract with SunGard. Use of the mobile data center is a low probability option that would only be considered in the event of the loss of LASERS facilities for an extended period or a long-term regional disaster. The risks identified in the observation (i.e. power, network access, etc.) could be mitigated at LASERS with a 'hitching post'. However, the cost of installing one was in excess of \$10,000 which along with the low probability of use and the possibility that it could be placed in a location that would be inaccessible following a building disaster make that unattractive. These risks would also apply to any non-LASERS location chosen for the mobile option. The IT staff believes that our vendor relationships would allow us to overcome these risks in an acceptable time frame in the unlikely event that LASERS activated the mobile option following a disaster. The SunGard fees for activating the mobile option are a budget risk that would be considered in any decision to use that option following a disaster.</p> <p>At the time of the audit in 2010, there was a greater likelihood that the mobile data center option would be exercised in these circumstances based on the technology recovery process in place. However, LASERS technology recovery process has since evolved to the point where it would be a really low</p>
------	---	-----	------------	---	--

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

items that LASERS would be responsible for include:

- Determining the location to place the mobile data center.
- Powering the mobile data center.
- Establishing a connection to the internet.
- A large amount of the total data storage space is only accessible via an internet connection.
- LASERS personnel may have to connect remotely.
- Providing personnel to utilize the equipment.
- Security of the equipment and data inside the mobile data center.

In the event of a major catastrophe, it could be difficult for LASERS to address the items noted above on short notice. Currently, there is not a plan in place to address these various factors and the associated costs.

It should also be noted that Audit Services performed research with other public pension funds to determine what methods are currently being utilized to recover IT systems. Due to the constantly changing technological environment, various methods are being used to recover data systems ranging from simple data backup tapes to complete identical equipment set-ups in remote locations.

likelihood that the mobile data center option would be exercised in the event of a disaster of this caliber. As part of the next disaster recovery testing exercise, IT and Audit Services will conduct a full review of the current restoration method that would be utilized in these circumstances.

LASERS IT also plans to perform a formal review of disaster recovery options and providers once the iSeries platform is retired. This will open up more choices and the likelihood of disaster recovery cost reductions. In the meantime, I recommend that LASERS Executive Management accept the risks identified in Audit 1030 Observation 02 and the risks associated with not implementing recommendation 02A and delaying implementation of recommendation 02B. Note that business continuity planning and provisions related to continuing operations in the event of this type of disaster remains an issue for LASERS Executive team even though the risks noted above are being accepted. September 2014 Update: A review of the current restoration method was performed during audit project 1427. The review confirmed the effectiveness of the current solution which further supports the conclusion noted above regarding the mobile data center solution. This item will remain open until after IT completes their formal review of the disaster recovery options. Suggest changing the expected completion date to June 30, 2016.

September 2016 Update (IT):  
The current solution for data center disaster recovery has not changed. The process was tested during the

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

annual disaster recovery test in June 2016 without issue. The current solution will not be reviewed again until 1st quarter of 2017 (the annual disaster process review). It is not anticipated a major overhaul of the process will be implemented at that time, just an updating of processes. An extensive review of disaster recovery processes is anticipated after the completion of the Optimus project. This item will be revisited by September 30, 2017.

April 2017 Update (IT):

The System Recovery process is not changing significantly this year except for changing the tool from VRanger to Veeam. As stated in the September 2016 update, the recovery processes will not be significantly changed until after Project Optimus which completes in mid-2018 (the date was misstated previously). The projects which will potentially impact the way system recovery is processed will be Optimus and the potential Office 365 project, if approved. Periodic review will take place as needed.

August 2017 Update (IT):

With the last annual D/R test and the Optimus D/R test, it is apparent the current strategy will not continue to be sufficient. While the process works, it is becoming increasingly problematic. Information Technology is starting the pre-planning stages of a project to reassess and recommend a new solution for D/R. The project is targeted to begin sometime in the 3rd or 4th quarter of 2017. A project update will be provided to this open audit item in December 2017.

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

February 2018 Update (IT):

IT is working on a new solution, which will be piloted, with the Optimus system. The Proof of Concept with three providers is being currently performed. This new process recommendation is being prepared for Executive review and approval before moving forward. If approval is granted, a new solution will be tested in the 2nd and 3rd quarters of 2018. In the interim, the LASERS IT Disaster Recovery Processes are being reviewed and update.

January 2019 Update (IT):

A new disaster recovery process is being proposed and if approved will change the process by which LASERS IT provides DR for the LASERS computer systems. An update to this process is pending approval of this new process. IT will revisit this recommendation after the pilot of the new DR is fully tested. The anticipated timeline is the end of June 2019.

February 2019 Update (IT):

The new disaster recovery (DR) process utilizing iLand was approved on January 31, 2019 by the LASERS business leaders and executive. Once the contract is signed, IT will begin by placing the Optimus system into this solution and going through extensive testing. The testing will last about three months. During this time the new process will be documented, including an updated DR plan. Once this point is reached, the other key systems will be moved to iLand for DR (Solaris, JDE, network file shares). Will target an update to this item around June 2019.

---

*New items will appear on this report after we present the reports at our quarterly Audit Committee meeting. Items will be marked closed when evidence is presented and verified. This report will be presented semi-annually to the Audit Committee.*

**To: LASERS Audit Committee**  
**From: Ryan Babin**  
**Subject: Customer Service Evaluation Summary**

---

## **INTERNAL REVIEWS**

### **1912 Internally Managed Portfolio Review**

The survey was completed by two individuals and consisted of all positive responses.

- Additional comments included:
  - In response to “Was there a value-added benefit to your division as a result of this engagement.”
    - “Internal funds (esp. domestic funds) have been running in a pretty efficient way so it is hard to make significant changes or improvement.”
  - In response to “Was there anything about the engagement you especially liked.”
    - “It is a routine engagement, and it went well.”

## **EXTERNAL REVIEWS**

### **1917 Delgado Community College**

The survey was completed by one individual and consisted of all positive responses.

### **1919 Lallie Kemp Regional Medical Center**

The survey was completed by one individual and consisted of all positive responses.

- Additional comments included:
  - In response to “Specifics regarding the audit that you like or disliked.”
    - “The adequate time given, presentation, communications with auditors and feedback were good. Job well done.”

#### **BOARD OF TRUSTEES:**

Shannon Templet, Board Chair  
Thomas Bickham, Vice Chair  
Virginia Burton  
Commissioner Jay Dardenne

Beverly Hodges  
Judge William Kleinpeter  
Janice Lansing  
Barbara McManus

Sen. Barrow Peacock  
Rep. Kevin Pearson  
Lori Pierce  
Hon. John Schroder  
Lorry Simmons Trotter

Cindy Rougeou, Executive Director



## EXECUTIVE SUMMARY OF AUDIT REPORTS

### **1915 GASB 68 Actuarial Date File Review (FYE 2018)**

This was a planned engagement on the fiscal year end 2019 Audit Plan. The fieldwork for this engagement was completed on November 30, 2018.

LASERS is required to annually comply with GASB Statement 68. A key component of that compliance consists of developing financial schedules for use by LASERS employer reporting agencies. These schedules are compiled primarily from member data stored in LASERS pension administration computer system, SOLARIS. The LASERS Fiscal and IT divisions work together to generate and test these schedules for accuracy. Furthermore, these schedules are audited by an external accounting firm prior to being released to the LASERS employer reporting agencies for their use.

A thorough review and testing of the Government Accounting Standards Board (GASB) 68 actuarial file was performed by LASERS staff to help ensure that all critical errors found on the actuarial file were resolved. There were no reportable observations identified during this review.

### **1917 Delgado Community College (DCC) (External Review)**

This was a planned engagement on the fiscal year end (FYE) 2019 Audit Plan. The fieldwork for this engagement was completed on December 17, 2018. DCC employs approximately 156 LASERS members.

During the review of DCC, one observation was noted and detailed below.

#### **OBSERVATION**

During this review, one individual was hired into a LASERS eligible position, but was not properly enrolled into LASERS.

According to LA R.S. 11:411(7)(a), “membership shall be optional for those persons sixty years of age or older at the time of employment and for those persons fifty-five years of age or older who have credit for at least forty quarters in the Social Security system.” The individual should provide a copy of the Social Security Administration’s form (SSA-7005) to validate that they have attained at least 40 quarters of work in Social Security.

#### **BOARD OF TRUSTEES:**

Shannon Templet, Board Chair  
Thomas Bickham, Vice Chair  
Virginia Burton  
Commissioner Jay Dardenne

Beverly Hodges  
Judge William Kleinpeter  
Janice Lansing  
Barbara McManus

Sen. Barrow Peacock  
Rep. Kevin Pearson  
Lori Pierce  
Hon. John Schroder  
Lorry Simmons Trotter

Cindy Rougeou, Executive Director

The individual identified during this review was between 55 and 60 years of age at their hire date and elected to not be enrolled in LASERS. However, it was discovered that documentation of the 40 quarters of work in Social Security was not submitted; therefore, they did not meet the criteria that allows for them to opt out of LASERS.

It should be noted that DCC has begun taking the necessary steps to correct this record and update their procedures and training.

#### **RECOMMENDATION #1**

The agency should work with LASERS to ensure the remaining steps are taken to fully correct the record for the individual noted above. Target completion date is February 28, 2019.

#### **AGENCY RESPONSE**

We agree with the recommendation. As stated above, the Human Resources/Benefit department has begun the process in correcting the identified individual's information. The remaining steps are for the calculation of what was paid into FICA, making a payment made into LASERS of that amount, including the difference in percentage not paid by both employee and employer.

#### **RECOMMENDATION #2**

The agency should review their enrollment procedures and process and make any necessary changes to ensure the items noted in the observation are adequately addressed. Target completion date is April 30, 2019.

#### **AGENCY RESPONSE**

We agree with the recommendation. To ensure that employees are well informed, Human Resources/Benefits office will educate employees who are between the ages of 55-60 and desire not to enroll into LASERS, that they are to provide documentation from the Social Security Administration, stating that the employee has met the required 40 quarters to not enroll.

### **1919 Lallie Kemp Regional Medical Center (External Review)**

This was a planned engagement on the fiscal year end (FYE) 2019 Audit Plan. The fieldwork for this engagement was completed on January 30, 2019. LKRMC employs approximately 277 LASERS members.

Overall, Lallie Kemp Regional Medical Center (LKRMC) has effective procedures in place with regard to the handling of retirement related processes for their LASERS members. No reportable agency issues were identified during this review.

### **1920 Actuarial Experience Study File Review**

The objective of this engagement was to ensure that the Actuarial Experience Study files were materially complete and accurate.

The files requested by the System Actuary included a listing of:

- Individuals that became deceased between July 1, 2013 and June 30, 2018.



- Individuals that retired between July 1, 2013 and June 30, 2018 along with the unused leave related information associated with their retirement calculation.

These files were tested to help ensure that all critical errors found on the files were resolved. It was determined that the files provided to the System Actuary were materially complete and accurate.

### **1922 Northeast Delta Human Services Authority (NDHSA) (External Review)**

This was a planned engagement on the fiscal year end 2019 Audit Plan. The fieldwork for this engagement was completed on December 5, 2018. NDHSA employs approximately 80 LASERS members. No reportable issues were identified during this review.

### **1926 Louisiana School for the Deaf (LSD) (External Review)**

This was a planned engagement on the fiscal year end (FYE) 2019 Audit Plan. The fieldwork for this engagement was completed on January 24, 2019. LSD employs approximately 127 LASERS employees. No reportable issues were identified during this review.

### **1927 Louisiana Military Department (LMD) (External Review)**

The fieldwork for this engagement was completed on January 25, 2019. LMD employs approximately 690 LASERS employees. No reportable issues were identified during this review.



**NOTICE AND AGENDA  
Investment Committee Meeting  
Thursday, March 21, 2019  
1:30pm**

The Investment Committee will meet in the fourth floor conference room of the Retirement Systems Building, 8401 United Plaza Boulevard, Baton Rouge, LA.

**Please silence your cell phone before meeting begins**

**I. CALL TO ORDER**

**II. ROLL CALL**

**III. PUBLIC COMMENT**

**IV. REGULAR BUSINESS**

1. Approval of the minutes of the February 21, 2019, meeting of the Investment Committee  
**(Action Item)**

*Beverly Hodges, Chair*

**V. NEW BUSINESS**

1. Monthly Performance Review

*Bobby Beale, CFA, CAIA – Chief Investment Officer*

**VI. OTHER BUSINESS**

**VII. ADJOURNMENT**

**There are no managers on the blackout list**

**NOTE: If special accommodations are needed please contact this office prior to meeting.**



**Louisiana State Employees' Retirement System  
Investment Committee Meeting  
February 21, 2019**

The Investment Committee of the Louisiana State Employees' Retirement System met on Thursday, February 21, 2019, in the fourth floor Board Room of the Retirement Systems Building located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana. Mr. Thomas Bickham, Chair, called the meeting to order at 1:00 p.m. Roll was called by Ms. Jennifer Adams, recording secretary.

\*\*\*\*\*

**ROLL CALL**

Members Present: Mr. Thomas Bickham; Mr. Rick McGimsey, Designee of the Commissioner; Ms. Amy Mathews\*, Designee of the Treasurer; Judge William Kleinpeter; Ms. Janice Lansing; Ms. Barbara McManus; Ms. Shannon Templet and Ms. Lorry Trotter

Members Absent: Ms. Virginia Burton; Ms. Beverly Hodges; Senator Barrow Peacock; Representative Kevin Pearson and Ms. Lori Pierce

Staff Present: Ms. Cindy Y. Rougeou, Executive Director; Ms. Maris LeBlanc, Deputy Director & Chief Operating Officer; Mr. Trey Boudreaux, Chief Administrative Officer; Mr. Bobby Beale, Chief Investment Officer; Ms. Beth Gordon, Executive Staff Officer; Investment Staff: Ms. Laney Sanders, Mr. Darren Fournierat, Ms. Celeste Funderburk, Mr. Reeves Pearce, Mr. Jacques Brousseau, Ms. Alisa Lacombe and Ms. Jennifer Adams.

Also Present: David Barnes NEPC, LLC

*\*arrived after roll call*

The Chair called for public comment. Hearing none, the Chair called for the next agenda item.

\*\*\*\*\*

**REGULAR BUSINESS**

The committee considered the minutes of the January 23, 2019 and the January 24, 2019, Investment Committee meeting. **Ms. Trotter moved, seconded by Ms. McManus, to approve the minutes of the January 23, 2019 and January 24, 2019, Investment Committee meeting. With no objection or discussion, the motion carried.**

## **NEW BUSINESS**

### **Fourth Quarter 2018 Monthly Performance Review**

Mr. Beale briefly reviewed the performance for the fourth quarter 2018, as this had been discussed last month. He then moved to January 2019, performance. He stated that the Plan earned 5.3% for January, putting the Fiscal-Year-to-Date return as of January 31, 2019, at -0.8%.

### **Investment Guidelines Discussion and Recommendation**

Mr. Beale presented the Investment Policy Guideline Changes to the Board. **Ms. Templet moved, seconded by Ms. McManus, to accept the Investment Policy Guideline Changes as presented.**

## **OTHER BUSINESS**

With no other business brought before the committee the meeting adjourned at 1:14 p.m.

# LASERS INVESTMENT COMMITTEE

## PROPOSED 2019 AGENDA ITEMS

---

### JANUARY 23 & 24

Trustee Workshop  
Monthly/YE 2018 Performance Review  
Trustee Education  
Actuarial Science  
Laws, Rules and Regulations  
Investment  
Management Committee/Regular Board Meeting

### FEBRUARY 21

4<sup>th</sup> Quarter 2018 Performance Review  
**Investment Guidelines Discussion and Recommendation**

### MARCH 21

Monthly Performance Review

### APRIL 25 (*Legislative Session convenes 4/8*)

Monthly Performance Review  
**Emerging Markets Portfolio Reviews/Contract Discussion**

### MAY 16

1st Quarter 2019 Performance Review  
[Annual Optional Retirement Plan/Self-Directed DROP Review](#)

### JUNE 27 (*Legislative Session adjourns 6/8*)

Monthly Performance Review  
[Annual Custodian Review](#)  
[Annual Consultant Review](#)

### JULY 25

Fiscal Year End Performance Review  
[Asset Allocation Review](#)

### AUGUST 22

2<sup>nd</sup> Quarter 2019 Performance Review  
**Investment Grade Fixed Income Portfolio Reviews/Contract Discussion**

### SEPTEMBER 26

Monthly Performance Review

### OCTOBER 24

Monthly Performance Review  
Internal Funds Portfolio Review  
Annual Trading Report  
Annual Proxy Report

### NOVEMBER 21

3<sup>rd</sup> Quarter 2019 Performance Review

### DECEMBER 12

Monthly Performance Review  
Investment Division Annual Report

\*All agenda items are subject to change

**BOLD items require a quorum**





**NOTICE AND AGENDA**  
***Legislative Committee Meeting***  
**Thursday, March 21, 2019**  
**Immediately following Investment Committee**

The Legislative Committee will meet in the fourth floor conference room of the Retirement Systems Building, 8401 United Plaza Boulevard, Baton Rouge, Louisiana.

**Please silence your cell phone before meeting begins.**

**I. CALL TO ORDER**

**II. ROLL CALL**

**III. PUBLIC COMMENT** (allowed upon request before action items)

**IV. REGULAR BUSINESS**

1. Approval of the Minutes of the May 17, 2018 meeting of the Legislative Committee  
**(Action Item)**  
*William Kleinpeter, Legislative Committee Chair*

**V. NEW BUSINESS**

1. 2019 Regular Legislative Session **(Action Item)**  
*Maris LeBlanc, Deputy Director and Chief Operating Officer*  
*Cindy Rougeou, Executive Director*

**VI. OTHER BUSINESS**

**VII. ADJOURNMENT**

**NOTE:** If special accommodations are needed, please contact this office prior to meeting.



**Louisiana State Employees' Retirement System  
Legislative Committee Meeting  
May 17, 2018**

The Legislative Committee of the Louisiana State Employees' Retirement System met on Thursday, May 17, 2018 in the fourth floor conference room of the Retirement Systems Building located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana.

Judge William Kleinpeter, Chair of the Committee, called the meeting to order at 2:52 p.m. Roll was called by Abby Partin, recording secretary.

\*\*\*\*\*

Members present: Mr. Thomas Bickham, Ms. Virginia Burton, Mr. John Broussard, (designee of the Treasurer), Ms. Beverly Hodges, Judge William Kleinpeter, Mr. Rick McGimsey (designee of the Commissioner), \*Ms. Barbara McManus, Ms. Lori Pierce, Ms. Shannon Templet, Ms. Lorry Trotter

Members absent: Ms. Janice Lansing, Senator Barrow Peacock and Representative Kevin Pearson

Staff present: Ms. Cindy Rougeou, Executive Director; Ms. Maris LeBlanc, Deputy Director and Chief Operating Officer; Mr. Trey Boudreaux, Chief Administrative Officer; Ms. Tina Grant, Executive Counsel; Ms. Tricia Gibbons, Retirement Benefits Administrator; Mr. Artie Fillastre, Chief Fiscal Officer; Mr. Ryan Babin, Audit Director; Ms. Tonja Normand; Public Information Director; Mr. Dan Bowden, IT Director; Mr. Trey Roche, Special Counsel; Ms. Allison LeBlanc, Retirement Benefits Supervisor; Ms. Amanda Celestine, Executive Management Officer, Ms. Abby Partin, recording secretary

Also present: Ms. Shelley Johnson, Foster & Foster, Mr. Frank Jobert, RSEA

\*\*\*\*\*

A quorum was declared present and the meeting opened for business.

**Public Comment**

Judge Kleinpeter called for public comment. There were no public comments.

**Regular Business**

Judge Kleinpeter called for approval of the minutes of the April 17, 2018 Legislative Committee meeting. **Mr. Bickham moved, seconded by Ms. Templet, to approve the minutes. With no objection or discussion, the motion carried.**

## **New Business**

Ms. LeBlanc distributed a chart listing bills being tracked by LASERS that did not pass and bills opposed by the Board that also failed. She stated active bills are still being tracked and she went through their current status.

### **HB 34 (Pearson) – Terror Free Fund (replacing Terror Free Index Fund)**

- **Act 45** – effective 5/10/2018

Ms. McManus entered the meeting at 2:56 p.m.

### **HB 37 (Brown & Walsworth) – Disability benefit increased to 100% for members in hazardous duty plans injured by intentional act of violence**

- Passed House
- Passed Senate
- Amendments Concurred – Amendments removed the automatic cost-of-living adjustments (COLAs) and the provision regarding insurance.

Senate staff discovered that a provision of current law allows all disability retirees to be eligible to have the employer share of their health insurance premium enhanced, based on their participation in the Office of Group Benefits. Ms. Rougeou noted that staff would be investigating whether this provision was being properly applied to current disability retirees and would modify publications and notices to reflect the availability of this benefit.

### **HB 38 (Hollis) – COLA formula (does not apply to LASERS since our statutes have a formula)**

- **Act 113** – effective 8/1/2018

### **HB 874 (Henry) - Supplemental appropriation \$3.7M to IUAL**

- Passed House
- Passed Senate
- Pending concurrence

### **SB 3 (Peacock) – Survivor benefit for hazardous duty plan members killed by intentional act of violence increased to 100%**

- Passed Senate
- Passed House
- Sent to the Governor

### **SB 4 (Peacock) – Limits duties of actuaries**

- Passed Senate
- Passed House
- Sent to the Governor

### **SB 10 (Peacock) – Department of Agriculture firefighters added to Haz Plan**

- Passed Senate
- Passed House
- Sent to the Governor

**SB 13 (Peacock)** – Requires chair of PRSAC to rotate between House and Senate members

- Passed Senate
- Passed House
- Sent to the Governor

**SB 17 (Peacock)** – Military purchases; requirement of compliance with federal law

- Passed House
- Passed Senate
- Sent to Governor

Ms. LeBlanc stated she will update the committee next month during the Management Committee with the Act numbers for the bills.

Ms. Burton asked if there was a concurrent resolution to study a hybrid plan as proposed in Senate Bill 14. Ms. Rougeou stated the Governor would like to put together a working group to look at the new plan for possible legislation next year. Ms. Burton asked for consideration in making the hybrid an optional plan.

She also asked for staff's attention in drafting legislation for survivor benefits for rank-and-file employees killed by an intentional act of violence. Ms. LeBlanc assured Ms. Burton that this is on the list to look into for the future.

### **Other Business**

There was no further business to discuss.

### **Adjournment**

The meeting adjourned at 3:04 p.m.



**Impacts LASERS****HB 28 – Ivey****Position Taken: xx****Systems Impacted:** State Systems

Creates a new Hybrid Plan for employees hired on or after July 1, 2020, and eligible for membership in LASERS, the Teachers' Retirement System, the School Employees' Retirement System, and the State Police Retirement System. The Hybrid Plan would have a defined benefit (DB) and a defined contribution (DC) component. For LASERS members, the following are elements of the plan:

- Employee contribution rate would be variable
  - Employees would share the cost of any unfunded accrued liability of their plan
  - Accrual rate for rank-and-file members would be 1% in the DB portion of the plan; HAZ plan members would have a 1.33% accrual rate
  - Employees would have a separate account for the DC portion of the plan with a third-party provider; rank-and-file members would receive a 10% credit each month; HAZ Plan members 12%
  - COLAs on first \$50,000 of benefit would be payable in odd-numbered years: 2% or the CPI-U for the South, whichever is lower.
  - Retirement eligibility for rank-and-file would be 5 years of service at age 65 or 20 years of service at age 55, actuarially reduced; HAZ Plan members eligibility would be 12 years of service at age 57 or 20 years at any age, actuarially reduced
  - Members terminating with less than 5 years of service only receive employee contributions; members terminating with more than 5 years required to leave funds in DC plan until reaching retirement age
  - At least 75% of DC account balance must be annuitized upon retirement
- House Retirement

**HB 29 – Johnson****Position Taken: xx****Systems Impacted:** LASERS

Removes the increase in insurance premiums for Hazardous Duty Services Plan members who transfer service and retire with an unreduced benefit.

- House Retirement

**SB 9 – Peterson****Position Taken: xx****Systems Impacted:** LASERS

Employees of the Regional Transit Authority (RTA) hired on or after July 1, 2019, shall not be members of LASERS. Employees currently enrolled in LASERS retain their membership. The LASERS actuary shall determine the portion of the

LASERS unfunded accrued liability (UAL) attributable to the RTA as of June 20, 2019. That portion of the UAL shall be amortized over ten years and paid to LASERS by the RTA in equal monthly installments.

- Senate Retirement

**SB 14 – Peacock****Position Taken: xx****Systems Impacted:** State and Statewide

Provides for term limits for retirement system boards of trustees. Trustees would be limited to 12 consecutive years of service, unless limits otherwise apply.

Trustees for LASERS are already subject to a limit of three consecutive four-year terms.

- Senate Retirement

**SB 15 – Long****Position Taken: xx****Systems Impacted:** LASERS

Changes the qualifications for eligibility in the Hazardous Duty Plan (HAZ Plan) for firefighters employed by the Department of Agriculture and Forestry. Firefighters must be trained as wildland firefighters, as provided in R.S. 3:4276(9), to qualify for membership in the HAZ Plan.

- Senate Retirement



**Miscellaneous Retirement**

**HB 13 – Carpenter**

ROVERS – Natural or juridical person may serve as director. WITHDRAWN

**HB 14 – Carpenter**

FRS and MPERS – prohibits employees from joining after they opt out.

**HB 15 – Carpenter**

FRS – Benefit options.

**HB 16 – Abraham**

FRS – Physical exam for membership.

**HB 17 – Abraham**

FRS – Refund of contributions.

**HB 19 – Pearson**

TRSL – Payment of MFP funds to TRSL.

**HB 20 – Pearson**

LSERS – Withdrawal from service.

**HB 21 – Pearson**

FRS – Actuarial funding method.

**HB 22 – Bacala**

MPERS – Benefit calculation for BRPD.

**HB 24 – Stagni**

PERS – Membership for employees of a public trust.

**HB 27 – Jones**

MERS – Provides relative to elected officials.

**SB 1 – Peacock**

Bossier City Police – Provides for investment of funds by the Board of Trustees.

**SB 10 – White**

Sheriffs – Provides relative to COLAs.

**SB 13 – Johns**

State Police – Surviving spouse benefits.

**SB 16 – Long**

State Police and MPERS – Investment of lump-sum benefits.

**SB 17 – Peterson**

Statewide Systems – Funding of systems as it relates to tax revenue in the City of New Orleans.

**Other**

**HB xx – xx**

Description.

**NOTICE AND AGENDA  
Management Committee Meeting  
Thursday, March 21, 2019  
Immediately following the Legislative Committee**

The Management Committee will meet in the fourth floor conference room of the Retirement Systems Building, 8401 United Plaza Boulevard, Baton Rouge, Louisiana.

**Please silence your cell phone before meeting begins.**

**I. CALL TO ORDER**

**II. ROLL CALL**

**III. PUBLIC COMMENT** (allowed upon request before action items)

**IV. REGULAR BUSINESS**

1. Approval of the Minutes of the February 21, 2019, Management Committee Meeting  
**(Action Item)**

*Barbara McManus, Management Committee Chair*

2. **Executive Session** – Review of the March 2019 Disability Retirement Report **(Action Item)**

*Tricia Gibbons, Retirement Benefits Supervisor*

3. Executive Counsel's Report

*Tina Grant, Executive Counsel*

**V. NEW BUSINESS**

1. Review and Approval of Annual Board Governance Report **(Action Item)**

*Maris LeBlanc, Deputy Director & Chief Operating Officer*

2. Annual Disability Report

*Tricia Gibbons, Retirement Benefits Supervisor*

3. Conflict of Interest Report

*Virginia Burton, Audit Committee Chair*

*Ryan Babin, Audit Services Director*

4. Chief Administrative Officer's Comments
  - a. Monthly Operating Budget Report
  - b. Monthly Pension Administrative Report  
*Trey Boudreaux, Chief Administrative Officer*
5. Deputy Director & Chief Operating Officer's Comments  
*Maris LeBlanc, Deputy Director & Chief Operating Officer*
6. Executive Director's Comments  
*Cindy Rougeou, Executive Director*

**VI. OTHER BUSINESS**

**VII. ADJOURNMENT**

**NOTE:** If special accommodations are needed, please contact this office prior to meeting.

**Louisiana State Employees' Retirement System  
Management Committee Meeting  
February 21, 2019**

The Management Committee of the Louisiana State Employees' Retirement System met on Thursday, February 21, 2019 in the fourth floor conference room of the Retirement Systems Building located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana.

Ms. Barbara McManus, Chair, called the meeting to order at 1:16 p.m. Roll was called by Ms. Beth Gordon, recording secretary.

\*\*\*\*\*

**Members Present:** Mr. Thomas Bickham, Judge William Kleinpeter, Ms. Janice Lansing, Ms. Amy Mathews (designee of the Treasurer), Mr. Rick McGimsey (designee of the Commissioner), Ms. Barbara McManus, Ms. Shannon Templet, and Ms. Lorry Trotter

**Members Absent:** Ms. Virginia Burton, Ms. Beverly Hodges, Ms. Lori Pierce Representative Kevin Pearson, and Senator Barrow Peacock

**Staff Present:** Ms. Cindy Rougeou, Executive Director; Ms. Maris LeBlanc, Deputy Director and Chief Operating Officer; Mr. Trey Boudreaux, Chief Administrative Officer; Mr. Steve Stark, Deputy General Counsel; Mr. Bobby Beale, Chief Investment Officer; Mr. Artie Fillastre, Chief Fiscal Officer; Ms. Tricia Gibbons, Retirement Benefits Administrator; Mr. Ryan Babin, Audit Director; Ms. Tonja Normand, PID Director; Mr. Dan Bowden, IT Director; and Ms. Beth Gordon, recording secretary

**Also Present:** Ms. Shelley Johnson, Foster & Foster

A quorum was announced present.

**Public Comment**

Ms. McManus called for public comment. No public comments were made.

**Regular Business**

Ms. McManus called for approval of the January 23, 2019 Management Committee Minutes. **Mr. Bickham moved, seconded by Judge Kleinpeter, to approve the minutes of January 23, 2019 meeting of the Management Committee. With no discussion or objection, the motion passed.**

Ms. McManus announced there were no disability denials this month.

**Ms. Templet moved, seconded by Judge Kleinpeter, to approve the February 2019 Disability Report. With no objection or discussion, the motion carried.**

In the Executive Counsel's report, Mr. Stark announced there were no new or pending appeals. He gave an update on the *Slaughter v. LASERS* case.

### **New Business**

Ms. Gibbons reviewed the Member Satisfaction Survey Results.

Mr. Boudreaux reviewed the Chief Administrative Officer's comments.

Ms. LeBlanc reviewed the Deputy Director and Chief Operating Officer's comments. She reminded the Board that their Personal Financial Disclosure reports are due to the Board of Ethics by May 15, 2019. She reviewed The Advocate's Notices for Bills which may affect LASERS.

Ms. Rougeou reviewed the Executive Director's comments.

### **Other Business**

There was no further business to discuss.

### **Adjournment**

The meeting adjourned at 1:38 p.m.

TO: Management Committee  
FROM: Maris E. LeBlanc, Chief Operating Officer  
DATE: March 11, 2019  
RE: Annual Board Governance Report

The Board Charter (Board Governance 1.0) requires the Board to approve, and amend as necessary, charters describing the roles and responsibilities of the Board, Board Committees, officers, and the Executive Director. Each charter is subject to review every three years. All charters are available through the Board Portal on the website.

The Charters to be reviewed this year are:

- Charter for the Executive Director (Board Governance 3.0)
- Board Education and Travel (Board Governance 4.0)
- Audit Committee Charter (Board Governance 6.0)

Review of the Audit Committee Charter will be conducted at the June Audit Committee meeting.

A technical change is suggested to the Board Education and Travel policy, changing a statutory reference to the Code of Governmental Ethics from R.S. 42:1123(41), a statute that was repealed, to R.S. 42:1115.1. The pertinent substantive provisions of the statute remain the same.

No changes are suggested for the Charter for the Executive Director.

## LASERS Board Governance Policies

---

Board Governance 1.0	Board Charter <i>Last revised 3/24/2017</i>
Board Governance 2.0	Board Leadership Charter <i>Last reviewed 3/24/2017</i>
Board Governance 3.0	Charter for the Executive Director <i>Last reviewed 3/21/2019</i>
Board Governance 4.0	Board Education and Travel <i>Last revised 3/21/2019</i>
Board Governance 5.0	Vendor Selection Policy <i>Last reviewed 3/24/2017</i>
Board Governance 6.0	Audit Committee Charter <i>Last revised 6/24/2016</i>
Board Governance 7.0	Investment Committee Charter <i>Last reviewed 3/24/2017</i>
Board Governance 8.0	Legislative Committee Charter <i>Last reviewed 3/24/2017</i>
Board Governance 9.0	Management Committee Charter <i>Last revised 3/23/2018</i>



## Charter for the Board of Trustees (1.0)

---

<b>Duties of Board</b>	<ul style="list-style-type: none"><li>• General –oversee LASERS, invest prudently, fiduciary duty at all times</li><li>• Governance –approve board charters, elect chair/vice chair, education program</li><li>• Investments – ensure sound investment philosophy, review objectives, asset/liability study</li><li>• Funding –conduct and submit actuarial valuation to PRSAC</li><li>• Policies/Procedures –establish, review, monitor policies, hear appeals</li><li>• Finance/Operations –designate custodian bank, ensure controls in place, approve operating budget and annual report</li><li>• Communications – guidelines for vendors, media, and general code of conduct</li><li>• Litigation/Legislation – establish position on legislation, rules, and legal proceedings</li><li>• Key appointments – appoint unclassified staff and vendors (see Vendor Selection Policy)</li><li>• Monitoring/Reporting – monitor performance of board, investments, administration</li></ul>
<b>Board Operations – Officers</b>	<ul style="list-style-type: none"><li>• Board chair presides at all meetings. Vice chair presides if chair is not present</li><li>• Executive director, or designee, serves as secretary to the board</li><li>• Election of board chair and vice chair – Jan. meeting (see Board Leadership Charter)</li><li>• Following January meeting, committee chairs/members selected in accordance with Board Leadership Charter</li></ul>
<b>Board Meetings</b>	<ul style="list-style-type: none"><li>• Schedule approved before year end - held monthly with prior public notice</li><li>• Standing committees – audit, investments, legislative, management</li><li>• Majority of board members needed for quorum, 4 votes needed for decision</li><li>• Board follows Robert’s Rules of Order, to extent not changed by board</li><li>• Executive session allowed in accordance with LA R.S. 42:17</li></ul>

## Charter for the Board of Trustees (1.0)

### Self-Evaluation Process

---

November	<ul style="list-style-type: none"><li>• Board chair will review the board self-evaluation discussion guide and make any necessary modifications</li><li>• Board chair will meet with executive director, and add executive director's comments to discussion guide</li><li>• Board chair will distribute copies of the discussion guide to each trustee</li></ul>
Following the November distribution	<ul style="list-style-type: none"><li>• Trustees shall complete the discussion guide and return it to the board chair within 2 weeks of receipt</li><li>• Board chair will ensure results are compiled and a summary report is prepared</li></ul>
December	<ul style="list-style-type: none"><li>• Board chair will present the summary report to the management committee</li><li>• Board chair will facilitate discussion of the report by the committee<ul style="list-style-type: none"><li>- Meeting may be held in executive session in accordance with state law</li></ul></li></ul>

## Board Leadership Charter (2.0)

---

Board Chair	<ul style="list-style-type: none"> <li>• Ensure the board discharges its duties and responsibilities</li> <li>• Ensure coordination of meetings, agendas, schedules, and presentations in consultation with the executive director</li> <li>• Ensure that meetings are conducted efficiently and in accordance with all laws, rules, and board policies</li> <li>• In collaboration with vice chair, select board members to serve as chairs/members of committees</li> <li>• Provide leadership to the board in terms of collegiality and ethics</li> <li>• Serve as liaison between board and executive director</li> <li>• Present the annual executive director evaluation in conjunction with the management committee chair</li> <li>• Coordinate the board self-evaluation process</li> </ul>
Vice Chair	<ul style="list-style-type: none"> <li>• Assume duties of chair when chair is absent or when asked to do so</li> <li>• Act as chair in the event of death, resignation, removal, or disability of the chair</li> <li>• Assume the duties of committee chair when committee chair is absent</li> <li>• Collaborate with the chair regarding selection of committee chairs/members</li> <li>• Board vice chair may not serve as committee chair</li> </ul>
Committee Chairs	<ul style="list-style-type: none"> <li>• Ensure the committee discharges its duties and responsibilities</li> <li>• Coordinate meetings, agendas, schedules, and presentations</li> <li>• Ensure that meetings are conducted efficiently and in accordance with all laws, rules, and board policies</li> <li>• Serve as liaison between committee members, the board, and the executive director</li> <li>• Limit meeting discussion to those issues within the committee's responsibility</li> <li>• Report and bring recommendations to the board</li> <li>• The board chair and vice chair will serve as ex-officio non-voting members of all standing and ad hoc committees for which they are not already an assigned member, except when present for the purposes of establishing a quorum. When included in the quorum, the member will have voting rights.</li> </ul>
Selection of Chair and Vice Chair	<ul style="list-style-type: none"> <li>• <b>December:</b> board chair in conjunction with staff will explain election process</li> <li>• <b>December:</b> nominations for board chair and vice chair will be taken and trustees may express interest in committee placements</li> <li>• <b>January:</b> election of board chair followed by election of vice chair</li> <li>• <b>After January:</b> newly elected chair and vice chair in collaboration will chose the committee chairs and committee members and notify the board of the selections</li> </ul>

## Charter for the Executive Director (3.0)

---

<b>Duties and Responsibilities</b>	<ul style="list-style-type: none"><li>• General –manage day-to-day operations, fiduciary duty, support board</li><li>• Governance –recommend board charters/policies, rules governing elections; secretary to board (coordinate meetings, agendas, staff)</li><li>• Investments – through the CIO - conduct due diligence, present board with sound investment philosophy and policies</li><li>• Funding –present for approval to the board the annual actuarial valuation, upon advice of actuary and other experts as required</li><li>• Policies/Procedures –recommend appropriate admin policies/rules</li><li>• Finance/Operations –make necessary operational expenditures, develop/recommend strategic plan and operating budget, maintain investment records, accounting books, and ensure internal and external audits are performed</li><li>• Litigation/Legislation – monitor changes in laws that impact LASERS and report as appropriate; develop/recommend to board official position consistent with strategic direction</li><li>• Human Resources – Recruit, hire, retain management personnel; serve as final authority in LASERS Grievance Policy</li><li>• Key appointments – recommend unclassified staff and vendors (see Vendor Selection Policy)</li><li>• Stakeholder Communications – serve as spokesperson for LASERS</li><li>• Monitoring/Reporting – monitor performance of investments, senior management, vendors</li></ul>
<b>Performance Evaluation Process</b>	<ul style="list-style-type: none"><li>• Board will annually review performance of executive director</li><li>• See Executive Director Evaluation Process Summary for more information</li></ul>

## Charter for the Executive Director (3.0)

### Performance Evaluation Process

---

Prior to July meeting	<ul style="list-style-type: none"> <li>• Prepare evaluation package containing: <ul style="list-style-type: none"> <li>- Executive director self-evaluation report including evaluation criteria and goals set previously by the management committee</li> <li>- Executive director's proposed evaluation criteria and goals for upcoming year</li> <li>- Strategic plan or summary thereof</li> <li>- Evaluation forms and/or surveys</li> <li>- Any other supporting documentation or information</li> </ul> </li> <li>• Prepare unclassified staff evaluations</li> </ul>
July	<ul style="list-style-type: none"> <li>• Executive director distributes and discusses her self-evaluation package with the management committee.</li> <li>• Executive director also distributes unclassified staff evaluations to management committee</li> </ul>
Prior to the August Meeting	<ul style="list-style-type: none"> <li>• Management committee members return completed evaluation forms to chair of management committee (within 2 weeks of receipt of evaluation package)</li> <li>• Chair of management committee tabs and summarizes completed evaluation forms and provides to board</li> </ul>
August	<ul style="list-style-type: none"> <li>• Management Committee: <ul style="list-style-type: none"> <li>- Finalizes the executive director's evaluation</li> <li>- Reviews summarized results of the completed evaluation forms</li> <li>- Discusses with executive director proposed evaluation criteria and goals for the upcoming year</li> <li>- Discusses any proposed evaluation forms or surveys to be used in the process</li> <li>- Adds any further results/comments brought forth in the meeting to the evaluation summary</li> <li>- Considers unclassified employees merit increases</li> </ul> </li> </ul>
Prior to September meeting	<ul style="list-style-type: none"> <li>• The management committee chair and board chair will review the finalized evaluation with the executive director. The management chair ensures that the evaluation and summaries thereof are placed in the executive director's confidential personnel file located in the executive director's office</li> </ul>

## Board Education and Travel (4.0)

---

<b>Mandatory Education</b>	<ul style="list-style-type: none"> <li>• R.S. 11:185 requires 16 hours of education each September 1 to August 31                             <ul style="list-style-type: none"> <li>○ 8 hours investment education</li> <li>○ 4 hours actuarial science education</li> <li>○ 2 hour regarding laws, rules, &amp; regulations applicable to LASERS</li> <li>○ 2 hour fiduciary duty and ethics education</li> </ul> </li> <li>• In order to receive per diem and vote, trustees must complete all fiduciary and ethics educations and 1 hour of education in investment, actuarial science, and law education</li> <li>• In-house educational opportunities will be available throughout the year</li> <li>• Annual workshop held by LASERS to provide educational opportunities</li> </ul>
<b>Additional Education</b>	<ul style="list-style-type: none"> <li>• New trustee orientation – in-house within two months of becoming trustee</li> <li>• 20 hours of education recommended for returning trustees</li> <li>• Local conferences – Louisiana Association of Public Employees Retirement Systems (LAPERS), local university courses or seminars</li> </ul>
<b>Trustee Travel</b>	<ul style="list-style-type: none"> <li>• Exercise same care in spending as if on personal business</li> <li>• Required to follow LASERS Travel Policy</li> <li>• Travel must be educational or pertain to LASERS business</li> <li>• No more than 3 trustees at a vendor sponsored conference</li> <li>• No more than 2 out of state conferences per fiscal year for each trustee</li> <li>• Travel must be approved in advance by management committee</li> <li>• Travel paid by vendors is prohibited</li> <li>• International travel must have prior approval of full board</li> <li>• Trustee travel summary will be provided by board secretary on a fiscal year basis</li> </ul>

## Vendor Selection Policy (5.0)

Board Responsibilities	<ul style="list-style-type: none"> <li>• Select investment related vendors – investment managers, investment consultants, custodians, and securities lending managers</li> <li>• Select system actuary and other non investment related service providers designated by the board</li> </ul>
Executive Director Responsibilities	<ul style="list-style-type: none"> <li>• Appoint vendors other than those selected by Board</li> <li>• Coordinate search and due diligence process</li> <li>• Negotiate and execute contracts, subject to legal review</li> <li>• Supervise vendors</li> </ul>
Non investment related vendors	<ul style="list-style-type: none"> <li>• Due diligence process conducted</li> <li>• Following due diligence, selection process begins: <ul style="list-style-type: none"> <li>○ Executive director recommends a finalist list for interviews</li> <li>○ Board will vote on finalist list, substitute motions may be voted on until selection is made</li> <li>○ Board will interview finalist candidates</li> <li>○ Executive director will recommend a final candidate</li> <li>○ Board will vote on recommended final candidate, substitute motions may be voted on until selection is made</li> </ul> </li> </ul>
Investment related vendors	<ul style="list-style-type: none"> <li>• Preliminary due diligence process conducted</li> <li>• CIO and pension consultant each <b>recommend the number of managers</b> to be selected for the mandate; executive director may make recommendation</li> <li>• Board will determine by voice <b>vote the number of managers</b> to be selected for the investment mandate</li> <li>• CIO and pension consultant each recommend the number of finalists to be interviewed; executive director may make recommendation</li> <li>• Board will determine by voice <b>vote the number of finalists to be interviewed</b></li> <li>• CIO and pension consultant each <b>recommend a list of finalists</b> to be interviewed – discussing strengths and weaknesses of each; executive director may make recommendation</li> <li>• Board will <b>determine by written ballot the list of finalists to be interviewed</b> <ul style="list-style-type: none"> <li>○ Those managers appearing on majority of lists are finalists</li> <li>○ If no majority is achieved or list of finalists is not complete, then trustees will vote on those managers who did not receive plurality until the finalist list is complete</li> </ul> </li> <li>• Finalist interviews are conducted – CIO and pension consultant recommend final manager(s) to be selected</li> <li>• Each trustee shall submit in writing the manager(s) they wish to receive the mandate <ul style="list-style-type: none"> <li>○ Those managers receiving majority receive mandate</li> <li>○ If no majority received, then trustees will vote on those managers who received plurality will run off until a majority is achieved</li> </ul> </li> </ul>

## Voting Procedures

- All written ballots must be read aloud in accordance with State open meeting laws – this includes announcing each trustee and for whom he/she voted
- All approvals must be made by majority vote of members present but not less than four votes
- Trustees choosing to abstain from voting are counted as member present
- A voice vote in lieu of written ballot may be used at the discretion of the Board



## Audit Committee Charter (6.0)

---

Purpose	<p>Assist the board in overseeing</p> <ul style="list-style-type: none"><li>• The integrity of LASERS financial statements</li><li>• LASERS compliance with legal and regulatory requirements and approved policies</li><li>• Independent auditor's qualifications and independence</li><li>• Performance of LASERS internal audit function and independent auditors</li><li>• System of risk management</li><li>• System of internal controls</li><li>• Special investigations</li></ul>
Composition	<ul style="list-style-type: none"><li>• At least three trustees</li><li>• Trustees must be free from any relationship that might interfere with the exercise of independent judgment as a committee members</li></ul>

## Investment Committee Charter (7.0)

---

<b>Committee</b>	<ul style="list-style-type: none"> <li>• Oversee the LASERS investment program</li> <li>• Standing committee of at least 7 members</li> <li>• Generally meet monthly – more or less if desired</li> </ul>
<b>Recommend to the Board</b>	<ul style="list-style-type: none"> <li>• Investment philosophy and policies for the investment program</li> <li>• Addition or removal of asset classes within the investment program</li> <li>• Strategies to achieve the investment goals of the investment program</li> <li>• Investment management structure – funds to be allocated to active and passive portfolios, and internal and external portfolios</li> </ul>
<b>Recommend Service Providers</b>	<ul style="list-style-type: none"> <li>• General investment consultant</li> <li>• Retainer investment consultants for alternatives and real estate investments</li> <li>• General partners for alternative and real estate investments</li> <li>• Custodian banks</li> <li>• Investment managers for traditional asset classes</li> <li>• Securities lending managers</li> </ul>
<b>Monitor Investment Program</b>	<ul style="list-style-type: none"> <li>• Total fund performance relative to policy benchmarks</li> <li>• Asset class performance</li> <li>• Internal and external manager performance</li> <li>• Compliance with investment philosophy and investment policy</li> <li>• Staff's due diligence activities concerning investment managers and consultants</li> <li>• Performance and independence of investment consultant</li> <li>• Cost effectiveness of investment program, including trading efficiency</li> </ul>

## Legislative Committee Charter (8.0)

---

<b>Committee</b>	<ul style="list-style-type: none"><li>• Monitor and establish positions regarding proposed legislation affecting LASERS</li><li>• Standing committee of at least 7 members</li><li>• Meet monthly during the session, or more/less frequently as required</li></ul>
<b>Duties</b>	<ul style="list-style-type: none"><li>• Monitor proposed changes in laws/rules/regulations that may have a significant impact on LASERS and report to the board the findings</li><li>• Legislative chair has the authority to alter the board's official position on proposed legislation if such legislation is amended or new legislation is presented between board meetings</li></ul>
<b>Direct Executive Director to</b>	<ul style="list-style-type: none"><li>• Request from the system actuary an actuarial analysis on all proposed legislation that has been approved by the board for introduction on behalf of LASERS in the legislative session</li><li>• May also request actuarial analysis of other legislation that might impact LASERS</li></ul>

## Management Committee Charter (9.0)

---

Committee	<ul style="list-style-type: none"> <li>• Assist the board in overseeing the governance, financial and operational, benefit administration, and human resource functions of the system</li> <li>• Standing committee of at least 7 members</li> <li>• Generally meet monthly; more/less frequently as required</li> </ul>
Duties	<ul style="list-style-type: none"> <li>• Governance               <ul style="list-style-type: none"> <li>○ Recommend to board charters and policies</li> <li>○ Recommend modifications to the board committee structure</li> <li>○ Have management chair conduct annual executive director evaluation in conjunction with board chair</li> <li>○ Carry out system staff survey at the board's request</li> </ul> </li> <li>• Finance and Operations, recommend:               <ul style="list-style-type: none"> <li>○ Strategic plan/strategic direction</li> <li>○ Operating budget and building budget</li> <li>○ LASERS organizational structure</li> <li>○ Suitability of office premises</li> <li>○ Settlements or other legal actions involving LASERS</li> <li>○ Insurance coverage concerning LASERS operations</li> </ul> </li> <li>• Human resources               <ul style="list-style-type: none"> <li>○ Recommend appointment and compensation for unclassified positions</li> </ul> </li> <li>• Monitoring and Reporting, board will monitor:               <ul style="list-style-type: none"> <li>○ Implementation of strategic plan</li> <li>○ Compliance with operating and building budget</li> <li>○ Compliance with policies</li> <li>○ Service quality standards</li> <li>○ Cost effectiveness of benefit administration</li> <li>○ Contributions/disbursements from the trust fund</li> <li>○ Litigation matters</li> <li>○ Appropriateness of LASERS insurance coverage</li> </ul> </li> </ul>

## Charter for the Executive Director Board Governance 3.0

Approved: March 23, 2007  
Revised Date: March 19, 2016  
Reviewed Date: March 21, 2019

### A. POLICY:

1. The executive director is the senior executive of LASERS and serves at the pleasure of the board.
2. The powers and duties delegated by the board to the executive director are set out in this charter and related policies.

### B. DUTIES AND RESPONSIBILITIES:

#### 1. General

The executive director will:

- a. act in the best interest of LASERS consistent with fiduciary duty standards at all times;
- b. be responsible for managing the day-to-day operations of LASERS, delegating to officers and senior management as the executive director deems appropriate, provided that such delegation is consistent with the organizational structure of LASERS and any policies or charters approved by the board;
- c. provide executive leadership to LASERS in setting and achieving strategic direction, goals, and objectives and will manage LASERS in accordance with the guidelines established by the board and will solicit advice and counsel from the board and individual trustees as necessary;
- d. support the board at all times in discharging its duties;
- e. serve as secretary to the board and the custodian of public records;
- f. ensure the accurate and timely delivery of LASERS benefits to members and beneficiaries in accordance with applicable laws; and
- g. ensure delivery of consistently high standards of quality to members and beneficiaries in accordance with the goals and objectives established by the board.

#### 2. Governance and Board Operations

The executive director will:

- a. recommend to the board for approval or amendment, as necessary, the following:
  - i. charters or policies describing the roles and responsibilities of the board, its committees, officers, and the executive director;
  - ii. rules and regulations governing the election of trustees, consistent with R.S. 11:515(9);
  - iii. policies to ensure appropriate governance practices on the part of the board; and
  - iv. follow up reviews when necessary.

- b. serve as secretary to the board and carry out the following duties:
  - i in consultation with the board and committee chairs, coordinate meetings, agendas, schedules, and presentations for board and committee meetings;
  - ii prepare and maintain board and committee meeting minutes, and sign board minutes upon approval of the board;
  - iii ensure adequate staff support for all board committees; and
  - iv serve as custodian of board public records.
- c. coordinate the implementation of a trustee education program, to assist trustees in executing their duties as fiduciaries; and
- d. conduct ordinary correspondence of the board.

### **3. Investment Policy**

The executive director, through the chief investment officer (CIO), will:

- a. present the board with sound investment philosophy and policies to guide the management of the investment program and achieve LASERS investment objectives;
- b. within the policy parameters approved by the board, recommend to the board or Investment committee investment manager structures for each asset category in which LASERS invests, including, but not limited to, the funds to be allocated to active and passive portfolios, and internal and external portfolios;
- c. commission a study of the relationship between the assets and liabilities of LASERS not less than every five (5) years;
- d. conduct all necessary due diligence relating to the appointment of investment manager, consultant, general partner, custodian, and securities lending managers by LASERS;
- e. execute the portfolio rebalancing policy;
- f. recommend to the investment committee any shareholder right actions for consideration; and
- g. advise the board and investment committee on any investment matters and make recommendations for board or investment committee action.

### **4. Funding**

The executive director will:

- a. recommend to the board for approval, and for submission to the Public Retirement Systems Actuarial Committee (PRSAC), the actuarial valuation and actuarial assumptions included in the valuation, including mortality and service tables, upon the advice of the actuary and other experts as required (R.S. 11:127.B.C; 11:513.E; 11:515(5)); and
- b. review the Actuarial Report on Louisiana Public Retirement Systems to confirm accuracy, and conduct an actuarial audit or equivalent, as a means of assessing the accuracy of the annual actuarial evaluations, as appropriate.

## **5. Policies and Procedures**

The executive director will:

- a. recommend appropriate administrative policies and/or rules to ensure efficient operations addressing at a minimum:
  - i Investment Policy,
  - ii LASERS Travel, and
  - iii Board Governance.

## **6. Finance and Operations**

The executive director will:

- a. have the authority to make all necessary operational expenditures, consistent with operating budgets, policies, and internal controls established by the board and in accordance with the law;
- b. develop and recommend to the board the following:
  - i appropriate strategic direction and strategic plan and
  - ii an operating budget for LASERS and a retirement system building budget;
- c. approve the divisional action plans of senior management, as appropriate;
- d. ensure that appropriate financial and enterprise risk management framework, including internal controls, are in place to protect the fund's assets;
- e. maintain books of account for each fund of LASERS;
- f. maintain records of the investments held by each fund;
- g. ensure that external and internal audits of LASERS are performed; and
- h. have the ability to reallocate budget money across expense categories and report such allocations to the board.

## **7. Legal and Legislation**

The executive director will:

- a. monitor and direct counsel with respect to legal actions involving LASERS, keeping the board apprised of such actions, and where necessary, obtaining board approval before undertaking such actions;
- b. monitor proposed changes in state or federal laws, regulations, and rules that may have a significant impact on LASERS, and report to the legislative or management committee as appropriate;
- c. in consultation with the legislative committee and executive counsel, analyze and evaluate proposed legislation and develop and recommend to the board an official position for LASERS consistent with LASERS role and strategic direction;
- d. report back to the legislative committee on the disposition of proposed legislation monitored under section (c) above;

- e. recommend to the legislative committee changes to LASERS legislation that are necessary to facilitate more efficient benefit or investment administration; and
- f. report to the board on any legislative committee meetings with agenda topics that would impact LASERS.

## **8. Human Resources**

The executive director will:

- a. recruit, hire, and retain management personnel necessary to effectively manage LASERS and develop the necessary training and development policies and programs;
- b. be responsible for the annual performance evaluation recommendations to the board for approval and recommended compensation changes for unclassified employees; and
- c. implement an internal policy as approved by the board for unclassified 24/7 employees that will serve as a guide for leave time and attendance (refer to LASERS internal policy LAS.02-015).
- d. serve as the final authority in the LASERS Grievance Policy, LAS.02-014 governing employee grievances.

## **9. Key Appointments**

The executive director will:

- a. recommend for board approval named vendors in accordance with the Vendor Selection Policy;
- b. be responsible for appointing vendors other than named vendors in accordance with the Vendor Selection Policy; and
- c. recommend to the board for ratification candidates for the deputy director/chief operating officer, chief administrative officer, and chief investment officer positions. (R.S. 11:515(1))

## **10. Stakeholder Communications**

The executive director will:

- a. serve as spokesperson for LASERS, unless the board determines that in certain situations it would be inappropriate; in such cases, the chair will serve as spokesperson;
- b. recommend a communications policy or provisions to the board for approval; and

## **11. Monitoring and Reporting**

The executive director will:

- a. ensure that the board is provided with relevant, appropriate, and timely information in order to carry out its monitoring and oversight responsibilities;
- b. review the effectiveness of the investment performance of LASERS as appropriate;
- c. review the service quality levels of LASERS as appropriate;
- d. monitor and evaluate the activities and performance of senior management and vendors;



- e. review the effectiveness of the enterprise risk management framework, and risk assessment reports prepared under that framework;
- f. review all policies of LASERS on a regular and appropriate basis; and
- g. monitor that LASERS operates within applicable laws, rules, and policies at all times.

## **12. Performance Evaluation**

The board will:

- a. annually review the performance of the executive director;
- b. ensure that the evaluation meets the following objectives:
  - i to assist the board in establishing and communicating clear and meaningful goals and performance targets for the benefit of the executive director,
  - ii to ensure the executive director receives useful and objective performance feedback from the board on a periodic basis, and
  - iii to ensure that evaluation criteria are objective and measurable and pertain only to outcomes over which the executive director has a reasonable degree of control;
- c. establish evaluation criteria including, but not limited to:
  - i achievement of appropriate performance targets for LASERS,
  - ii implementation of the strategic plan,
  - iii implementation of board policies and associated reporting to the board,
  - iv compliance with the provisions in the executive director charter,
  - v leadership, management, and related qualities and skills, and
  - vi other criteria the board may determine; and
- d. use evaluation forms or surveys as necessary to facilitate the receipt of trustee input on all of the above criteria.

## **13. Performance Evaluation Process**

- a. At the May management committee meeting each year, the executive director will distribute and discuss the evaluation package with the committee. The evaluation package will contain the following:
  - i executive director's self-evaluation report including the evaluation criteria and goals established by the management committee for the year in question;
  - ii executive director's proposed evaluation criteria and goals for the upcoming year;
  - iii strategic plan or summary thereof;
  - iv evaluation forms and/or surveys; and
  - v any other supporting documentation or information.
- b. The executive director's self-evaluation report is designed to assist the board in the evaluation process. It should describe the extent to which the executive director believes the

evaluation criteria were met over the past year, as well as relevant supporting data. The report may also include any additional information the executive director believes should be considered by the board in its evaluation including disclosure of all third party contractual arrangements.

- c. The board shall treat the evaluation package as confidential. Completed evaluation forms will be returned to the management committee chair within two weeks of receipt of the package. The management committee chair will tabulate and summarize the results and return to the management committee prior to the June meeting.
- d. In June, the management committee will:
  - i finalize the executive director evaluation;
  - ii review summarized results of the completed evaluation forms;
  - iii discuss and approve proposed evaluation criteria and goals of the executive director for the upcoming year;
  - iv discuss any proposed updates for the forms or surveys used in the process;
  - v add any further results/comments brought forth in the meeting to the evaluation summary; and
  - vi consider unclassified employees' merit increases.

The committee's discussion of the executive director's performance may be held in executive session, in accordance with state law.

- e. Prior to the July meeting, the management committee chair and board chair will review the finalized evaluation with the executive director. The management chair will ensure that the evaluation and summaries thereof are placed in the executive director's confidential personnel file located in the executive director's office.

## C. REVIEW

The board will review this charter at least every three (3) years to ensure that it remains relevant and appropriate.

## D. HISTORY

This policy was adopted by the board on March 23, 2007.

This charter was revised by the board March 28, 2008.

The charter was revised by the board on April 23, 2010.

The charter was revised by the board on March 23, 2012.

The charter was revised by the board on March 26, 2015.

The charter was revised by the board on March 19, 2016.

The charter was reviewed by the board on March 21, 2019.

**Board Education and Travel  
Board Governance 4.0**

**Approved:** March 23, 2007

**Revised Date:** March 21, 2019

**A. POLICY:**

1. In order to help carry out their fiduciary duties, trustees:
  - a. should continually develop and maintain their knowledge of pension investment and administration matters by attending educational presentations and events and
  - b. may perform due diligence regarding issues such as investment manager selection and custodial bank selection.
2. Educational and due diligence events will often require trustees to travel.
3. Trustees are responsible for reporting all education to the board secretary, and the board secretary will notify the legislature as required by statute.

**B. MANDATORY EDUCATION:**

1. All trustees are required by LA R.S. 11:185 to attend the statutorily mandated hours of educational training each 12-month period from September 1 to August 31. The areas of statutorily mandated hours include the following:
  - a. investment education;
  - b. actuarial science education;
  - c. education regarding laws, rules, and regulations applicable to LASERS; and
  - d. fiduciary duty and ethics education.
2. In order to receive per diem and vote, trustees must complete all fiduciary and ethics education and one hour each investment, actuarial science, and legal education. Evidence of this training must be submitted to the speaker of the House of Representatives and president of the Senate within fourteen days after the completion of the training.
3. By October 15 of each year, on behalf of the board, the board secretary shall submit a letter to the retirement committee of both the House of Representatives and Senate stating whether or not the trustees have completed the required education during the previous twelve month period. The letter must include the date or dates when the training was completed by each member.
4. At least once per year, the executive director and/or staff will provide a series of in-house educational opportunities so that trustees may meet the minimum requirements.

**C. OTHER EDUCATIONAL OPPORTUNITIES**

1. Trustee Orientation

- a. New trustees shall attend an in-house investment and administration orientation within two months of being sworn in as a trustee. The orientation will include at a minimum:
  - i a briefing by the executive director on the history and background of LASERS;
  - ii a briefing by the board chair on current issues before the board and backgrounds of fellow trustees;
  - iii introductions to members of senior management;
  - iv an offer to tour LASERS offices;
  - v a briefing by counsel on trustee fiduciary duty, conflicts of interest guidelines, and other pertinent laws affecting LASERS; and
  - vi copies of the LASERS Trustee Handbook, investment policy, human resources policy, upcoming recommended educational conferences and in-house seminars, and any other relevant information deemed appropriate by the chair or executive management.
- b. New trustees are encouraged to attend a seminar on pension fund investment within their first year as a trustee.
- c. A chair training session will be included in the orientation, focusing on issues such as conducting effective meetings, *Robert's Rules of Order*, consensus building, and conflict resolution.

## 2. Continuing Education

- a. Beginning in their second year on the board, trustees are encouraged to participate in at least twenty hours of continuing education annually including LASERS in-house investment seminars, national pension conferences, select investment and pension plan administration courses, Louisiana Association of Public Employees Retirement Systems (LAPERS) conference, and continuing educational courses offered through local universities.

## D. TRUSTEE TRAVEL

1. Trustees are expected to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business and spending their own funds.
2. All trustee travel must comply with the LASERS Travel Policy LAS.01-009.
3. The board secretary is responsible for providing a travel summary to the board on a fiscal year basis.
4. Each year, the board chair (or designee) is authorized to accompany LASERS staff members to the RSEA Chapter meetings at the expense of LASERS.
5. Travel Rules
  - a. Travel must pertain to LASERS business and enhance the knowledge and capabilities of the trustee.
  - b. No more than three trustees should attend a vendor sponsored conference, and trustees should alternate attendance.

- c. Trustees shall not exceed two conferences outside Louisiana per fiscal year at the expense of LASERS.
- d. All trustee travel, in the capacity of a trustee or otherwise designed to enhance the knowledge or skill of the trustee, (other than attending a formal board function) must be approved in advance by the management committee. Additionally, if such travel includes complimentary admission to a seminar or conference, lodging, or transportation, the trustee must comply with the approval and reporting requirements of the Code of Governmental Ethics as detailed in R.S. 42:1115.1~~R.S. 42:1123(41)~~.
- e. Board travel paid for by vendors is strictly prohibited.
- f. Extraordinary situations that occur must be authorized by the chair of the board and ratified by the management committee at their next scheduled meeting.
- g. The board may approve travel in the interest of LASERS outside of vendor sponsored conferences on a case-by-case basis.
- h. Trustees may provide copies of conference material to the executive director for distribution to other trustees.
- i. International travel must have prior approval of the full board of trustees. Requests for approval must be accompanied by a detailed account of expected expenditures.

#### E. REVIEW

The board will review this charter at least every three (3) years to ensure that it remains relevant and appropriate.

#### F. HISTORY

This policy was adopted by the board on March 23, 2007.

The charter was revised by the board on April 23, 2010.

The charter was revised by the board on April 29, 2011.

The charter was revised by the board on March 22, 2013.

The charter was reviewed by the board on March 18, 2016.

The charter was revised by the board on March 21, 2019.

## APPENDIX 1: SPECIFIC PENSION-RELATED TOPICS

The following list is intended to provide guidance to trustees in identifying appropriate topics for the development of their knowledge and understanding of pension matters throughout their tenure on the board. The list is intended as a guideline only, and is not exhaustive:

<b>GOVERNANCE AND FIDUCIARY DUTY</b> <ul style="list-style-type: none"> <li>• Fiduciary duty</li> <li>• Roles of the sponsor, board, management and service providers</li> <li>• Basics of trust law</li> <li>• Effective decision-making</li> <li>• <i>Robert's Rules of Order</i></li> </ul>	<b>TECHNOLOGY</b> <ul style="list-style-type: none"> <li>• Overview of major systems</li> <li>• Disaster recovery and other technology risks</li> <li>• Effective oversight of major system projects</li> </ul>
<b>BENEFITS ADMINISTRATION</b> <ul style="list-style-type: none"> <li>• Defined benefit plan design</li> <li>• Basic administrative operations and processes</li> <li>• Disability issues</li> <li>• Communications</li> </ul>	<b>INVESTMENT POLICY AND ASSET ALLOCATION</b> <ul style="list-style-type: none"> <li>• Asset class characteristics</li> <li>• Historical risk and returns</li> <li>• Risk and risk management</li> <li>• Diversification and asset allocation</li> <li>• Active versus passive management</li> <li>• Performance measurement</li> <li>• Alternative investments</li> <li>• Execution costs</li> <li>• Proxy voting</li> </ul>
<b>ACTUARIAL POLICIES AND FUNDING</b> <ul style="list-style-type: none"> <li>• Role of the actuary</li> <li>• The actuarial process</li> <li>• Funding policy</li> <li>• Asset/liability management</li> </ul>	<b>REGULATORY AND LEGAL ISSUES</b> <ul style="list-style-type: none"> <li>• System governing legislation</li> <li>• State ethics laws</li> <li>• State open meeting laws</li> <li>• Tax policy and plan qualification features</li> <li>• Non-tax legal requirements</li> </ul>

**Board of Trustees  
2018 Disability Report  
New Claims Summary**

**Applications Received for the Period of January 2018 - December 2018**

<b>MONTH</b>	<b>APPLIED</b>	<b>APPROVED</b>	<b>CANCELLED</b>	<b>DENIED</b>	<b>APPEALS</b>
JANUARY	5	0	0	0	0
FEBRUARY	3	1	0	1	0
MARCH	8	0	2	2	0
APRIL	4	5	1	0	0
MAY	2	6	0	0	0
JUNE	3	1	1	1	0
JULY	2	3	0	1	0
AUGUST	1	4	0	0	0
SEPTEMBER	0	3	0	0	0
OCTOBER	6	0	0	0	0
NOVEMBER	4	0	0	0	0
DECEMBER	2	2	1	0	0
<b>TOTAL</b>	<b>40</b>	<b>25</b>	<b>5</b>	<b>5</b>	<b>0</b>

**Board of Trustees**  
**2018 Disability Report**  
**Total Disability Payroll**  
**As of December 31, 2018**

<b>DISABILITY RETIREES</b>	<b>TOTAL PAYMENTS</b>
815	\$1,096,887.74

**Payment Summary**  
**For the Period of January 2018 - December 2018**

<b>MONTH</b>	<b>DISABILITY BENEFITS FOR NEW APPROVALS</b>	<b>SAVINGS FROM TERMINATED &amp; DISCONTINUED</b>
JANUARY	\$0.00	\$1,394.01
FEBRUARY	\$0.00	\$0.00
MARCH	\$7,449.16	\$3,676.45
APRIL	\$1,636.51	\$2,251.36
MAY	\$14,208.95	\$2,122.31
JUNE	\$1,232.55	\$4,834.17
JULY	\$5,632.75	\$0.00
AUGUST	\$3,296.95	\$0.00
SEPTEMBER	\$2,063.71	\$0.00
OCTOBER	\$4,893.48	\$366.71
NOVEMBER	\$705.50	\$1,602.45
DECEMBER	\$1,208.92	\$1,583.01
<b>TOTAL</b>	<b>\$42,328.48</b>	<b>\$17,830.47</b>



**Board of Trustees  
2018 Disability Report**

**Disability Payroll Decrease Due to Conversion to Regular Retirement  
For the Period of January 2018 - December 2018**

<b>MONTH</b>	<b>DISABILITY RETIREES CONVERTED TO REGULAR RETIREMENT</b>	<b>DECREASE FROM CONVERTING TO REGULAR RETIREMENT</b>
JANUARY	0	\$0.00
FEBRUARY	0	\$0.00
MARCH	1	\$1,682.08
APRIL	4	\$3,918.86
MAY	6	\$10,384.77
JUNE	4	\$4,370.87
JULY	6	\$11,559.03
AUGUST	3	\$3,548.44
SEPTEMBER	5	\$8,451.69
OCTOBER	2	\$1,707.26
NOVEMBER	3	\$3,029.52
DECEMBER	1	\$663.89
<b>TOTAL</b>	<b>35</b>	<b>\$49,316.41</b>

**Board of Trustees  
2018 Disability Report**

**New Retiree Disability Average Summary  
For the Period of January 2018 - December 2018**

Average Age	51
Average Years of Service	15.15
Average Monthly Benefit	\$1,763.69

**Overall Disability Average Summary  
For the Period of January 2018 - December 2018**

Average Age	59
Average Years of Service	16.58
Average Monthly Benefit	\$1,204.87

**Board of Trustees**  
**2018 Disability Report**  
**Disability Type Summary**  
**For the Period of January 2018 - December 2018**

<b>TYPE OF DISABILITY</b>	<b>COUNT</b>
DISEASES OF THE CIRCULATORY SYSTEM	2
DISEASES OF THE GENITOURINARY SYSTEM	2
DISEASES OF THE MUSCULOSKELETAL SYSTEM AND CONNECTIVE TISSUE	12
DISEASES OF THE NERVOUS SYSTEM AND SENSE ORGANS	2
ENDOCRINE, NUTRITIONAL AND METABOLIC DISEASES, AND IMMUNITY DISORDERS	1
MENTAL DISORDERS	3
NEOPLASMS	1
SYMPTOMS, SIGNS, AND ILL-DEFINED CONDITIONS	2
<b>TOTAL</b>	<b>25</b>

**Board of Trustees**  
**2018 Disability Report**  
**Disability Percentage of Active Membership Summary**  
**For the Period of January 2018 - December 2018**

<b>DEPARTMENT</b>	<b>ACTIVE</b>	<b>DISABILITY</b>	<b>% OF AGENCY</b>
DEPARTMENT OF CHILDREN AND FAMILY SERVICES	3,843	3	0.0781%
DEPARTMENT OF CORRECTION	6,126	8	0.1306%
DEPT OF CULTURE RECREATION & TOURISM	569	1	0.1757%
DEPT OF TRANSPORTATION & DEVELOPMENT	4,541	2	0.0440%
DIV OF ADMIN OFC OF HUMAN RESOURCES	1,659	1	0.0603%
LA DEPT OF WILDLIFE & FISHERIES	846	2	0.2364%
LDH-OFFICE OF PUBLIC HEALTH	1,243	1	0.0805%
LOUISIANA STATE UNIVERSITY	2,004	1	0.0499%
LSU MEDICAL CENTER IN SHREVEPORT	329	2	0.6079%
MCNEESE STATE UNIVERSITY	170	1	0.5882%
SOUTHERN UNIVERSITY BATON ROUGE CAMPUS	415	1	0.2410%
WORKFORCE SUPPORT AND TRAINING	852	2	0.2347%
<b>TOTAL</b>	<b>22,597</b>	<b>25</b>	

**Board of Trustees  
2018 Disability Report**

**Board Physician Statistics and Case Review Time Frames  
For the Period of January 2018 - December 2018**

<b>BOARD DOCTOR</b>	<b>DOCTOR SPECIALTY</b>	<b>TOTAL CASES REVIEWED</b>	<b>TOTAL CASES APPROVED</b>	<b>TOTAL CASES DENIED</b>	<b>ADDITIONAL INFO NEEDED</b>	<b>AVG TURN AROUND IN DAYS</b>
DAVID FERACHI	ORTHOPEDICS	23	9	5	8	14
BRIAN GREMILLION	INTERNAL MEDICINE	11	9	0	2	14
ANDREW MORSON	PSYCHIATRY	13	4	3	6	18
RADHA RAMAN	FAMILY MEDICINE	2	1	0	1	7
DOMINICK SCIMECA	FAMILY MEDICINE	10	8	0	2	11
		<b>59</b>	<b>31</b>	<b>8</b>	<b>19</b>	<b>13</b>

**Board of Trustees**  
**2018 Disability Report**  
**Disability Fee Summary**  
**For the Period of January 2018 - December 2018**

<b>BOARD DOCTOR</b>	<b>DOCTOR SPECIALTY</b>	<b>FEES PAID IN 2018</b>
ANDREW MORSON	PSYCHIATRY	\$19,200.00
DAVID FERACHI	ORTHOPEDICS	\$17,600.00
BRIAN GREMILLION	INTERNAL MEDICINE	\$8,100.00
DOMINICK SCIMECA	FAMILY MEDICINE	\$4,800.00
RADHA RAMAN	FAMILY MEDICINE	\$750.00
		<b>\$50,450.00</b>

## March 2019 Management Committee Meeting Chief Administrative Officer's Comments

### Fiscal Division

- Fiscal and IT continue to work with JP Morgan Chase on improvements to LASERS positive pay file and checks. Once completed positive pay will match check numbers, amount, and payee to the positive pay file.
- In February we processed 1,166 checks.

### Information Technology Division

- The Optimus Project (Phase 3) is progressing as expected on-time and within budget.
- Development by IT & Cognizant Staff continues on the LASERS Mobile App.
- Security design work by the IT staff continues for the "MY LASERS" branded self-service website.
- The secure cloud-based data backup solution for Optimus is now underway.
- Design and security work for the Office 365 project continues. This project has a high priority.
- Design and security work for online Electronic forms continues.
- There were no notable or unusual Data Security incidents for February 2019.
- The February Cybersecurity Newsletter entitled "What is the Most Likely Cyber Attack?" was recently distributed to the entire LASERS staff.
- Work on a detailed Data Security Incident Response Plan is ongoing.
- With completion of Annual Statements, all major IT annual processes are now complete.
- IT work on Positive Pay changes to better combat Fraud are complete.
- IT work on EFT Change letter are complete.
- IT has no open positions but anticipate one in the March/April timeframe.
- New IT Applications Programmer Analyst John Schilling started in February 2019.
- New IT Intern William Haliburton started in February 2019.
- The IT Service Desk reports an on-time delivery of IT services of 99.45% of SLA for February 2019.
- The top three name searches on the LASERS website for January were "1099", "DROP" and "VESTED".







LOUISIANA STATE EMPLOYEES'  
RETIREMENT SYSTEM

8401 United Plaza Blvd. • Baton Rouge, LA 70809

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

Phone: (toll-free) 1.800.256.3000 • (local) 225.922.0600

## Fiscal Division

### OPERATING BUDGET REPORT

February 28, 2019

(Unaudited)

Category	2017-2018 Actual	2018-2019 Budget	Monthly Expenses	2018-2019 YTD Actual	Remaining Balance	2018-19 % of Budget	2017-18 % of Actual
Personnel	\$ 14,325,192	\$ 15,477,700	\$ 1,138,104	\$ 9,666,019	\$ 5,811,681	62%	61%
Travel Expenses	145,567	182,500	2,218	123,612	58,888	68%	52%
Operating Services	2,683,499	3,098,100	150,689	2,301,455	796,645	74%	66%
Professional Services	753,264	754,000	15,250	208,754	545,246	28%	37%
Acquisitions	219,754	203,000	9,334	50,981	152,019	25%	41%
<b>TOTAL</b>	<b>18,127,276</b>	<b>19,715,300</b>	<b>1,315,595</b>	<b>12,350,821</b>	<b>7,364,479</b>	<b>63%</b>	<b>61%</b>
Investment Fees	32,210,782	33,500,000	2,864,140	22,076,091	11,423,909	66%	64%
<b>GRAND TOTAL</b>	<b>\$ 50,338,058</b>	<b>\$ 53,215,300</b>	<b>\$ 4,179,735</b>	<b>\$ 34,426,912</b>	<b>\$ 18,788,388</b>	<b>65%</b>	<b>63%</b>

### CAPITAL OUTLAY BUDGET REPORT

February 28, 2019

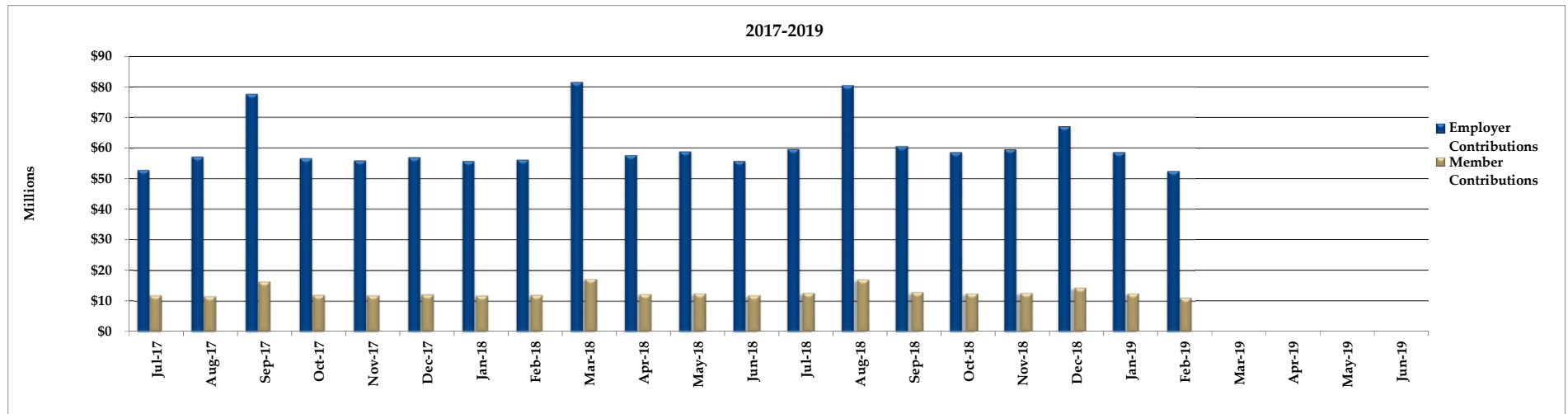
(Unaudited)

Category	Total Project Budget	2014-2018 LTD Actual	2018-2019 YTD Actual	Total Project Expenses	Remaining Balance	% of Budget Used
Operating Services	\$ 101,440	\$ -	\$ 83,877	\$ 83,877	\$ 17,563	83%
Professional Services	4,716,368	3,299,004	\$ 415,840	3,714,844	1,001,524	79%
Acquisitions	725,281	658,196	12,494	670,690	54,591	92%
<b>GRAND TOTAL</b>	<b>\$ 5,543,089</b>	<b>\$ 3,957,200</b>	<b>\$ 512,212</b>	<b>\$ 4,469,412</b>	<b>\$ 1,073,677</b>	<b>81%</b>

**Pension Contributions**  
**Fiscal Years 2017-2018 and 2018-2019 thru February 28, 2019**

FYE 2017-2018					FYE 2018-2019				
Month	Members	Employer Contributions	Member Contributions	Total	Month	Members	Employer Contributions	Member Contributions	Total
Jul-17	39,272	\$52,850,938	\$11,752,131	\$64,603,069	Jul-18	38,838	\$59,697,518	\$12,584,945	\$72,282,463
Aug-17	38,479	\$57,190,147	\$11,426,825	\$68,616,972	Aug-18	38,777	\$80,467,128	\$16,937,413	\$97,404,541
Sep-17	38,946	\$77,622,720	\$16,238,239	\$93,860,959	Sep-18	39,358	\$60,612,431	\$12,804,449	\$73,416,880
Oct-17	38,655	\$56,672,372	\$11,901,937	\$68,574,309	Oct-18	39,691	\$58,649,070	\$12,403,095	\$71,052,165
Nov-17	38,734	\$55,978,245	\$11,770,098	\$67,748,343	Nov-18	39,176	\$59,545,792	\$12,522,208	\$72,068,000
Dec-17	39,090	\$56,941,004	\$12,027,748	\$68,968,752	Dec-18	39,149	\$67,130,782	\$14,303,812	\$81,434,594
Jan-18	39,012	\$55,806,337	\$11,681,222	\$67,487,559	Jan-19	39,591	\$58,663,671	\$12,387,895	\$71,051,566
Feb-18	39,046	\$56,199,349	\$11,885,584	\$68,084,933	Feb-19	39,591 *	\$52,447,079	\$10,955,798	\$63,402,877
Mar-18	38,946	\$81,539,128	\$17,150,186	\$98,689,314	Mar-19				
Apr-18	38,946	\$57,675,276	\$12,179,597	\$69,854,873	Apr-19				
May-18	38,779	\$58,853,339	\$12,404,061	\$71,257,400	May-19				
Jun-18	39,293	\$55,744,687	\$11,772,080	\$67,516,767	Jun-19				

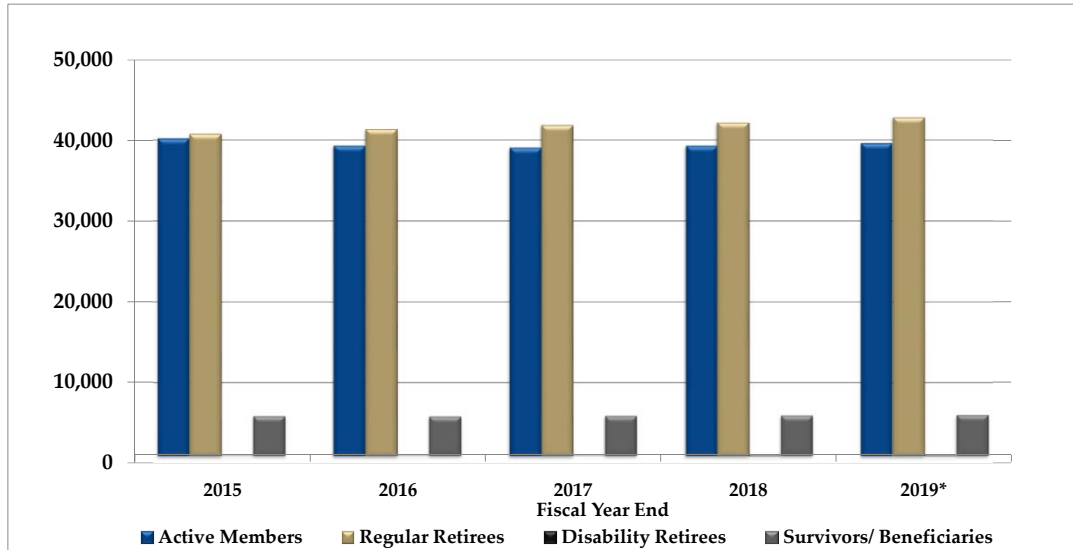
NOTE: Contributions based on estimates (February 2019 based on January 2019).



**LASERS Membership**  
For Five Years as of February 28, 2019

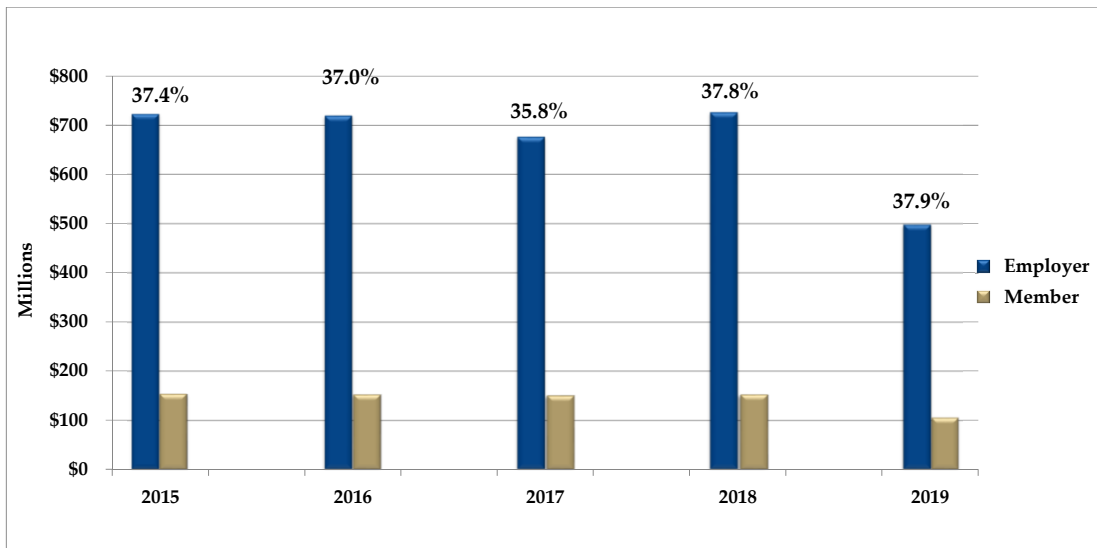
Fiscal Year	Active Members	Regular Retirees	Disability Retirees	Survivors/ Beneficiaries	Total Members**
2015	40,194	40,755	1,054	5,834	87,837
2016	39,284	41,356	1,043	5,802	87,485
2017	39,055	41,818	989	5,872	87,734
2018	39,293	42,136	930	5,940	88,299
2019*	39,591	42,770	927	5,998	89,286

Note: \*Counts for FY2018 - FY2019 are an approx. not based on actuarial data. \*\*Total Members does not include DROP, Terminated Vested/Non-Vested



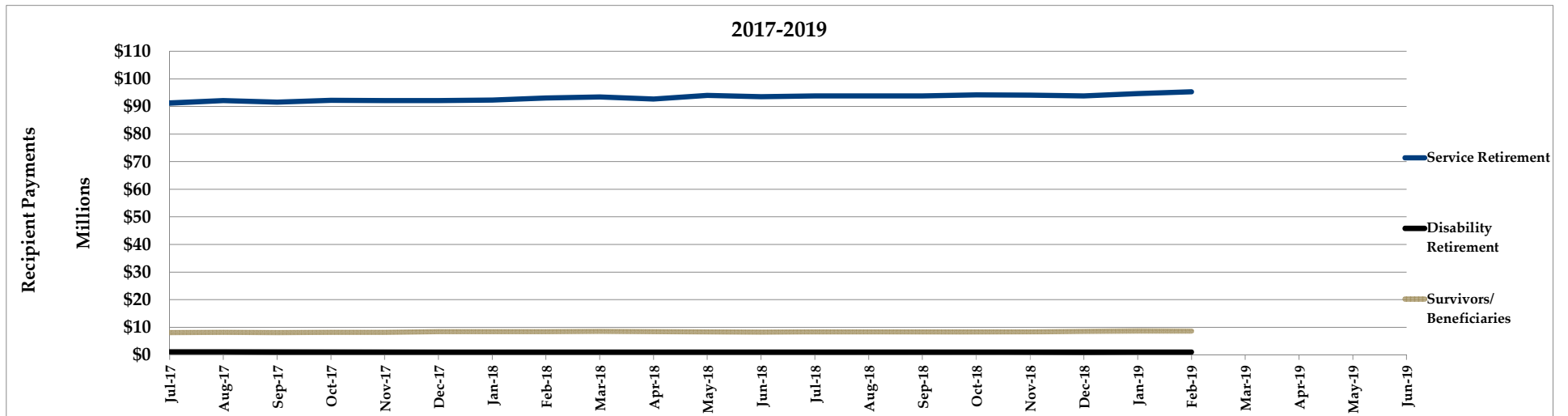
**Pension Contributions**  
For Five Years as of February 28, 2019

	2015	2016	2017	2018	2019
Employer	\$722,137,361	\$718,606,512	\$675,583,750	\$725,802,871	\$497,213,471
Member	\$153,281,097	\$152,233,771	\$149,931,242	\$152,189,709	\$104,899,615
Total	\$875,418,458	\$870,840,283	\$825,514,992	\$877,992,580	\$602,113,086



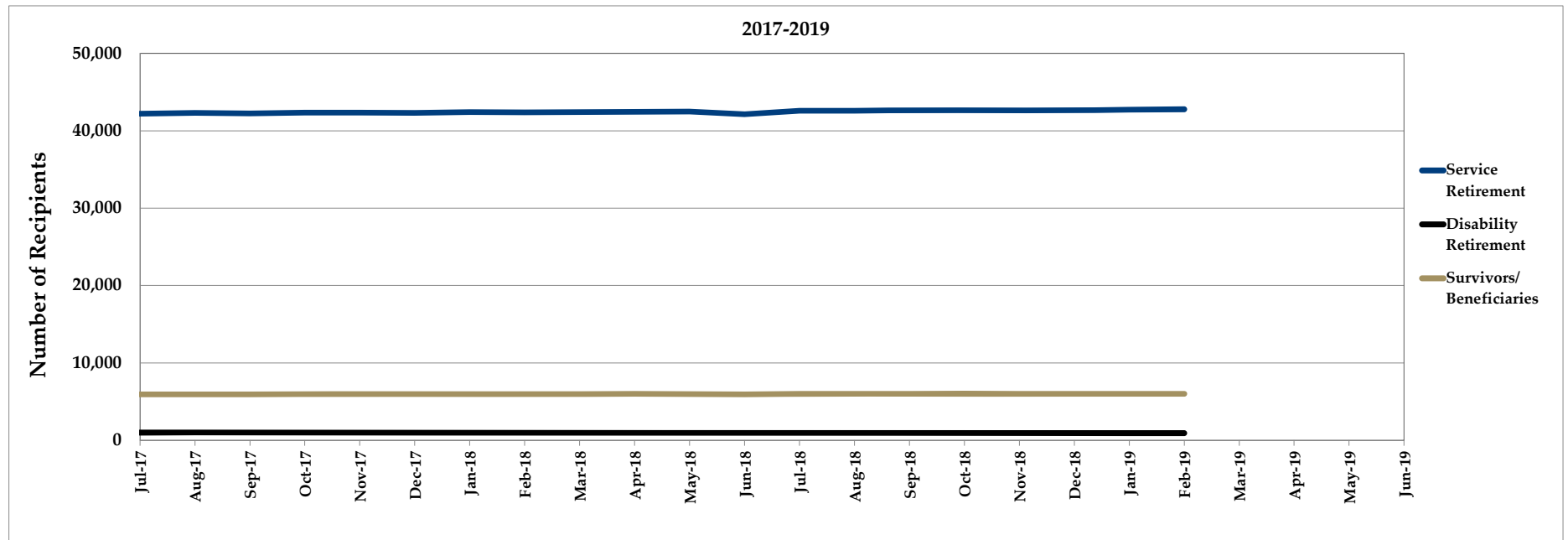
**Service/Disability/Survivor/Beneficiary Payments**  
**Fiscal Years 2017-2018 and 2018-2019 thru Febraury 28, 2019**

FYE 2017-2018					FYE 2018-2019				
Month	Service Retirement	Disability Retirement	Survivors/Beneficiaries	Total	Month	Service Retirement	Disability Retirement	Survivors/Beneficiaries	Total
Jul-17	\$91,279,555	\$1,099,162	\$8,097,997	\$100,476,714	Jul-18	\$93,817,919	\$1,047,654	\$8,368,838	\$103,234,411
Aug-17	\$92,191,387	\$1,105,153	\$8,138,594	\$101,435,134	Aug-18	\$93,856,315	\$1,036,266	\$8,383,105	\$103,275,686
Sep-17	\$91,653,386	\$1,111,394	\$8,087,224	\$100,852,004	Sep-18	\$93,868,347	\$1,026,732	\$8,380,266	\$103,275,345
Oct-17	\$92,307,564	\$1,089,647	\$8,207,002	\$101,604,213	Oct-18	\$94,238,338	\$1,031,994	\$8,408,210	\$103,678,542
Nov-17	\$92,169,967	\$1,076,356	\$8,205,960	\$101,452,283	Nov-18	\$94,150,057	\$1,029,211	\$8,370,250	\$103,549,518
Dec-17	\$92,163,290	\$1,062,002	\$8,420,028	\$101,645,320	Dec-18	\$93,831,806	\$1,018,525	\$8,520,606	\$103,370,937
Jan-18	\$92,346,953	\$1,057,364	\$8,492,514	\$101,896,831	Jan-19	\$94,702,261	\$1,067,652	\$8,671,143	\$104,441,056
Feb-18	\$93,083,148	\$1,065,107	\$8,475,843	\$102,624,098	Feb-19	\$95,334,582	\$1,022,272	\$8,634,112	\$104,990,966
Mar-18	\$93,475,062	\$1,060,694	\$8,537,737	\$103,073,493	Mar-19				
Apr-18	\$92,755,409	\$1,068,470	\$8,502,715	\$102,326,594	Apr-19				
May-18	\$94,065,370	\$1,076,036	\$8,340,012	\$103,481,418	May-19				
Jun-18	\$93,550,687	\$1,026,686	\$8,314,847	\$102,892,220	Jun-19				



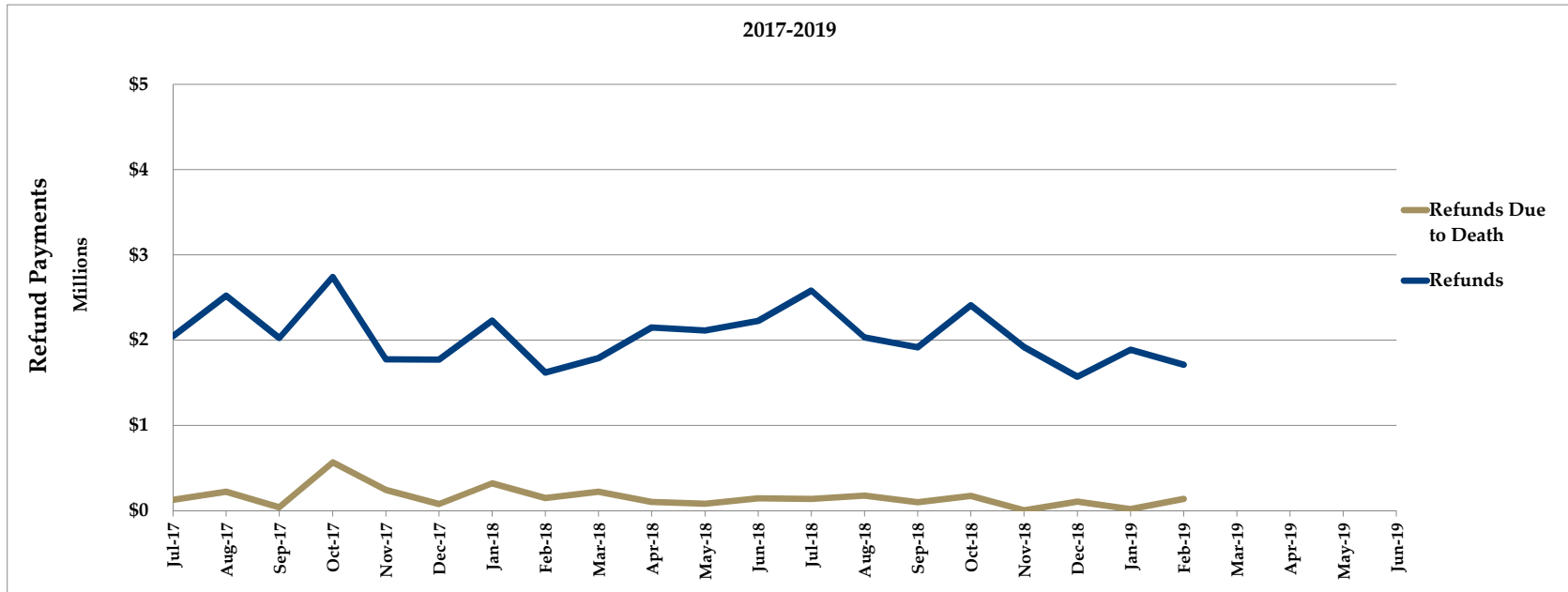
**Service/Disability/Survivor/Beneficiary Recipients**  
**Fiscal Years 2017-2018 and 2018-2019 thru February 31, 2019**

FYE 2017-2018					FYE 2018-2019				
Month	Service Retirement	Disability Retirement	Survivors/ Beneficiaries	Total	Month	Service Retirement	Disability Retirement	Survivors/ Beneficiaries	Total
Jul-17	42,220	996	5,924	49,140	Jul-18	42,586	941	5,985	49,512
Aug-17	42,309	993	5,930	49,232	Aug-18	42,585	943	5,995	49,523
Sep-17	42,256	992	5,927	49,175	Sep-18	42,609	935	5,997	49,541
Oct-17	42,343	984	5,958	49,285	Oct-18	42,642	941	6,013	49,596
Nov-17	42,338	980	5,960	49,278	Nov-18	42,640	937	6,001	49,578
Dec-17	42,316	982	5,952	49,250	Dec-18	42,612	936	6,004	49,552
Jan-18	42,419	972	5,958	49,349	Jan-19	42,736	927	5,998	49,661
Feb-18	42,368	972	5,958	49,298	Feb-19	42,770	927	5,998	49,695
Mar-18	42,412	971	5,957	49,340	Mar-19				
Apr-18	42,432	964	5,991	49,387	Apr-19				
May-18	42,487	963	5,974	49,424	May-19				
Jun-18	42,136	930	5,940	49,006	Jun-19				



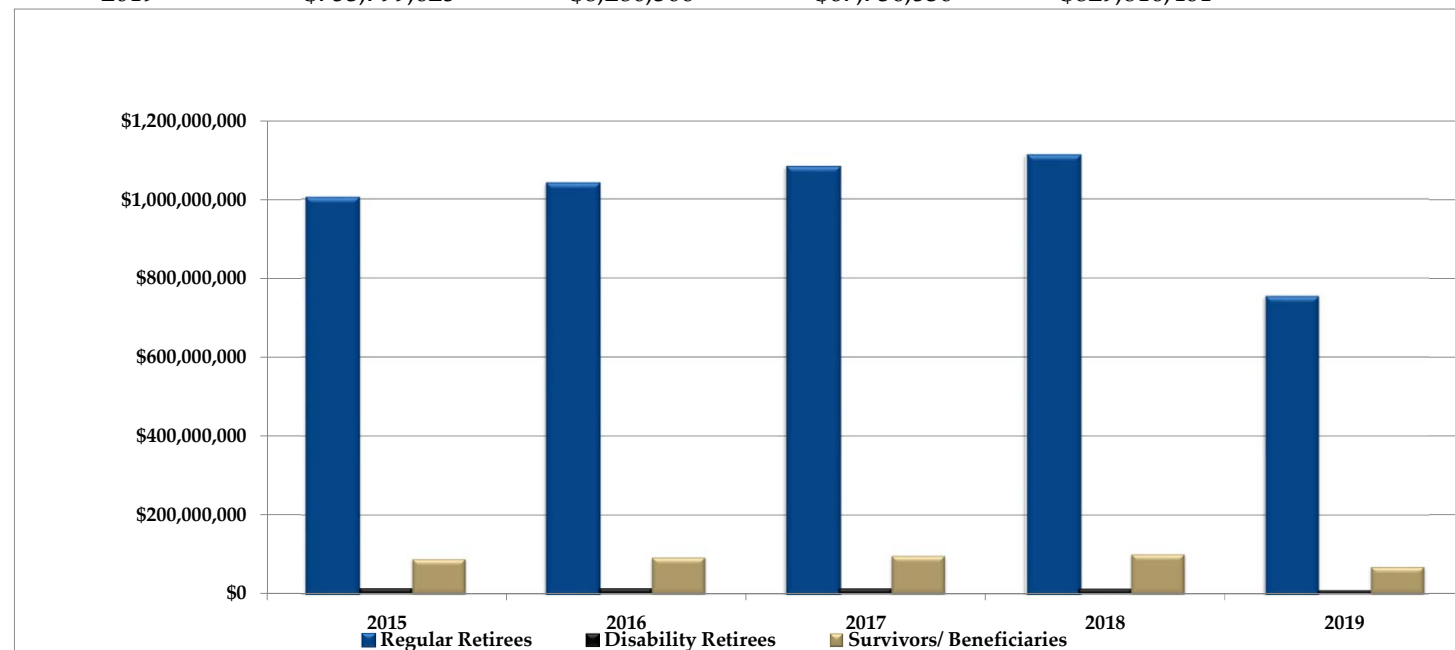
**Refund Payments**  
**Fiscal Years 2017-2018 and 2018-2019 thru February 28, 2019**

FYE 2017-2018 Refunds Due to				FYE 2018-2019 Refunds Due to			
Month	Refunds	Death	Total	Month	Refunds	Death	Total
Jul-17	\$2,043,984	\$125,498	\$2,169,482	Jul-18	\$2,581,102	\$137,294	\$2,718,396
Aug-17	\$2,522,497	\$220,322	\$2,742,819	Aug-18	\$2,031,015	\$176,107	\$2,207,122
Sep-17	\$2,026,246	\$37,901	\$2,064,147	Sep-18	\$1,916,834	\$98,733	\$2,015,567
Oct-17	\$2,741,399	\$565,739	\$3,307,138	Oct-18	\$2,409,001	\$169,761	\$2,578,762
Nov-17	\$1,773,712	\$242,881	\$2,016,593	Nov-18	\$1,920,568	\$3,330	\$1,923,898
Dec-17	\$1,769,280	\$74,981	\$1,844,261	Dec-18	\$1,570,374	\$106,023	\$1,676,397
Jan-18	\$2,228,790	\$319,348	\$2,548,138	Jan-19	\$1,885,826	\$18,227	\$1,904,053
Feb-18	\$1,618,624	\$146,936	\$1,765,560	Feb-19	\$1,712,708	\$137,754	\$1,850,462
Mar-18	\$1,790,284	\$222,413	\$2,012,697	Mar-19			
Apr-18	\$2,146,241	\$101,018	\$2,247,259	Apr-19			
May-18	\$2,111,088	\$78,387	\$2,189,475	May-19			
Jun-18	\$2,226,468	\$143,184	\$2,369,652	Jun-19			



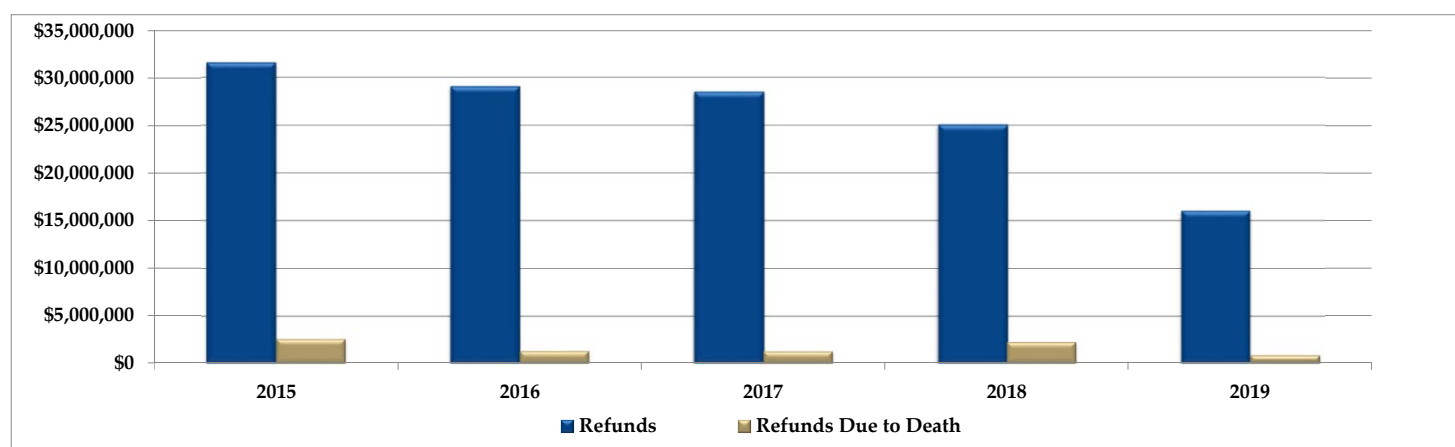
**Benefit Payments for 5 years**  
**For Five Years as of February 28, 2019**

Fiscal Year	Regular Retirees	Disability Retirees	Survivors/ Beneficiaries	Total Payments
2015	\$1,004,232,296	\$14,537,716	\$87,434,136	\$1,106,204,148
2016	\$1,040,584,180	\$14,578,820	\$91,330,722	\$1,146,493,722
2017	\$1,082,137,367	\$13,651,348	\$95,582,244	\$1,191,370,959
2018	\$1,111,041,778	\$12,898,071	\$99,820,473	\$1,223,760,322
2019	\$753,799,625	\$8,280,306	\$67,736,530	\$829,816,461



**Refund Payments for 5 years**  
**For Five Years as of February 28, 2019**

Fiscal Year	Refunds	Refunds Due to Death	Total Payments
2015	\$31,533,896	\$2,548,005	\$34,081,901
2016	\$29,026,584	\$1,270,829	\$30,297,413
2017	\$28,443,202	\$1,266,083	\$29,709,285
2018	\$25,031,640	\$2,245,581	\$27,277,221
2019	\$16,027,427	\$847,229	\$16,874,657





**DROP and ORP Report  
As of February 28, 2019**

DROP	Current Month		Quarter Ending 12/31/2018		Quarter Ending 9/30/2018	
	Count	Balance	Count	Balance	Count	Balance
<b>Traditional (At LASERS)</b>						
Accruing HARP	5	\$501,810	5	\$467,182	5	\$415,241
Working After DROP	111	\$22,462,088	116	\$21,962,956	119	\$22,414,603
Retired After DROP	2,849	\$362,318,083	2,859	\$341,153,313	2,907	\$353,422,857
Retired-IBO	163	\$20,843,905	164	\$19,663,520	166	\$20,208,818
<b>Total Traditional</b>	<b>3,155</b>	<b>\$406,125,886</b>	<b>3,144</b>	<b>\$383,246,973</b>	<b>3,197</b>	<b>\$396,461,520</b>
<b>Self-Directed</b>						
Accruing (At LASERS)	1,322	\$64,391,903	1,332	\$65,285,539	1,370	\$66,230,176
Working After DROP, Retired & IBO (Empower)	7,318	\$574,572,329	7,305	\$569,397,314	7,257	\$570,915,399
<b>Total Self-Directed</b>	<b>8,640</b>	<b>\$638,964,232</b>	<b>8,637</b>	<b>\$634,682,853</b>	<b>8,627</b>	<b>\$637,145,575</b>
<b>TOTALS</b>	<b>11,795</b>	<b>\$1,045,090,118</b>	<b>11,781</b>	<b>\$1,017,929,826</b>	<b>11,824</b>	<b>\$1,033,607,095</b>
<b>ORP</b>						
Working & Inactive (Empower)	48	\$5,475,248	48	\$5,068,297	49	\$5,556,323





**Board of Trustees**  
**Benefit Payees Added During Period**  
**02/01/2019 - 02/28/2019**

**Regular**

Under Age 55 at Retirement	13
Age 55-59 at Retirement	26
Age 60+ at Retirement	79
Total	118
Minimum Benefit	\$269
Maximum Benefit	\$10,015
Minimum Age	42
Maximum Age	78
Minimum Years Service	8
Maximum Years Service	40
Average Age	61
Average Service	23
Average Gross Benefit	\$2,533

**Disability**

Total	5
Minimum Benefit	\$502
Maximum Benefit	\$2,367
Minimum Age	46
Maximum Age	56
Minimum Years Service	10
Maximum Years Service	18
Average Age	51
Average Service	13
Average Gross Benefit	\$1,217

**Survivor**

Total	3
Minimum Benefit	\$1,375
Maximum Benefit	\$2,549
Minimum Age	56
Maximum Age	58
Minimum Years Service	10
Maximum Years Service	43
Average Age	57
Average Service	23
Average Gross Benefit	\$1,905

**Beneficiary**

Total	45
Minimum Benefit	\$355
Maximum Benefit	\$4,536
Minimum Age	49
Maximum Age	80
Minimum Years Service	10
Maximum Years Service	43
Average Age	60
Average Service	26
Average Gross Benefit	\$1,632

**Drop Accruals**

Total	33
Average Age	57
Average Service	23
Average Gross Benefit	\$2,919



## March 2019 Management Committee Meeting Deputy Director & Chief Operating Officer's Comments

### Deputy Director

- I will provide the LASERS presentation for the RSEA Coastal Chapter meeting in Thibodaux.
- At the last meeting, a question was asked about whether the Windfall Elimination Provision (WEP) applies to benefits received from a defined contribution plan. According to the Social Security Program Operations Manual System:
  - Payments received from a defined contribution plan are considered a pension subject to the WEP if the plan is a primary retirement plan.
  - If the defined contribution plan is a supplemental plan, the payments are subject to the WEP when the plan contains employer or both employer and employee contributions.

### Public Information Division

- 2019 Board of Trustees Election – Nominations opened March 1 and close July 9. Nomination packets are available for download on the LASERS website.
- RSEA Tour – Informational packets and press releases are being distributed for each chapter meeting. Tour ends March 28 in Covington.
- The Board of Trustees Workshop Videos are available on the Board Portal.
- Current PID Stats:
  - Website Pageviews: 56,307
  - Website Users: 15,782
  - Facebook Followers: 1,869
  - Twitter Followers: 618
  - YouTube Subscribers: 456
  - Paperless Beam Subs: 4,500
  - MINT Email Subscribers: 4,869
  - Member Connection Subs: 58,093

### Member Services Division

- Working with the IT Division, Member Services processed over 42,000 Member Annual Account Statements. Of these, approximately 5% of statement recipients elected to "Geaux Paperless" and did not receive a paper statement.

- LASERS will host its Second Annual Baton Rouge Retirement Readiness Fair on Tuesday, April 2, 2019, from 10am-2pm at the LaSalle Building in Downtown Baton Rouge. In addition to LASERS providing information for attendees, other partners include EMPOWER Retirement, the Office of Group Benefits, the East Baton Rouge Parish Library, LSU Continuing Education, the YMCA, and more. PID has updated the website with information about the fair and communications are being sent out to members and agencies promoting the event.
- Recent comments from members:
  - *“Sarah [Bell] is an outstanding representative for your agency. She was friendly, professional, and very knowledgeable.”*
  - *“Miss Pat [Pavlovich] knew me by name when I came in. That to me was very impressive. She has always been kind, courteous and knows her stuff.”*

## March 2019 Management Committee Meeting Executive Director's Comments

### **NASRA Winter Meeting**

- Maris and I attended the NASRA Winter Administrators' Meeting in Washington, D.C.
- The highlight of the meeting was the NASRA/NCTR Joint Federal Legislative & Regulatory Forum.

### **PRSAC**

- PRSAC met on February 25<sup>th</sup> PRSAC and approved our revised actuarial valuation. Trey attended the meeting while Maris and I were in Washington, D.C. for NASRA.

### **Institutional Investors Forum**

- At the request of Tony Gelderman, I have agreed to be a panelist at the *Protecting Shareholder Rights* forum at Arnaud's Restaurant in New Orleans on April 12<sup>th</sup>.
- If you are interested in attending, please contact Beth.

### **Office Closure**

- LASERS will be closed on Friday, April 19<sup>th</sup>, in observance of the Good Friday holiday.

### **Division Director Spotlight: Dan Bowden, LASERS Director of Information Technology**

- Since 2015 Dan has served as our IT Director.
- Before joining LASERS in in 2002, Dan worked in IT management roles in several large organizations including two Fortune 500 companies. While at Cox Communications, he won a Cox Innovation award for Innovative Computer Network Design.
- He has attended both LSU and Campbell University in North Carolina. Dan holds numerous IT certifications including Microsoft Certified Systems Engineer (MCSE), Certified Novell Engineer (CNE) and Oracle Certified Programmer (OCP).

- Dan recognizes that change and innovation are necessary to maintain a secure computing environment and that digital transformation is necessary to deliver the customer experience our members deserve.
- I'm extremely proud to point out that Dan is the current President of the Public Retirement Information Systems Management (PRISM) organization consisting of IT leaders from Public Retirement Funds all across North America. Dan previously served on the Board of Directors of PRISM as Southern Director.
- Dan most enjoys spending time with his family and teaching his grandchildren to be good and caring people. Free time is spent doing Church volunteer work, helping support the BR Food Bank and with technically advising the EBR Stem technology program on their IT curriculum.
- Following major league baseball is still a passion and watching the World Series each fall is a favorite time of year, particularly if his beloved Atlanta Braves are playing!
- I appreciate Dan's commitment to LASERS and our members. He is constantly seeking ways to expand service to those we serve. I also must note, his invaluable input in the development of our agency core values.

**NOTICE AND AGENDA**  
**Board Meeting**  
**March 21, 2019**  
**Immediately following Management Committee**

The Board of Trustees will meet in the fourth floor Board Room of the Retirement Systems Building, 8401 United Plaza Boulevard, Baton Rouge, Louisiana.

**Please silence your cell phone before meeting.**

- I. CALL TO ORDER**
- II. ROLL CALL**
- III. PUBLIC COMMENT** (allowed upon request before action items)
- IV. REGULAR BUSINESS**
  - 1. Approval of the February 21, 2019 Board Meeting Minutes **(Action Item)**  
*Shannon Templet, Chair of the Board*
  - 2. Report and Recommendations of the Audit Committee **(Action Item)**  
*Virginia Burton, Audit Committee Chair*
  - 3. Report and Recommendations of the Investment Committee **(Action Item)**  
*Beverly Hodges, Investment Committee Chair*
  - 4. Report and Recommendations of the Legislative Committee **(Action Item)**  
*William Kleinpeter, Legislative Committee Chair*
  - 5. Report and Recommendations of the Management Committee **(Action Item)**  
*Barbara McManus, Management Committee Chair*
  - 6. Acknowledgement of Receipt of Administrative Errors Report/Documentation  
*Tina Grant, Executive Counsel (Action Item)*
- V. NEW BUSINESS**
  - 1. LASERS New Employees  
*Cindy Rougeou, Executive Director*

**VI. OTHER BUSINESS**

**VII. ADJOURNMENT**

**Note:** If special accommodations are needed, please contact this office prior to the meeting.



**Louisiana State Employees' Retirement System  
Regular Board Meeting  
February 21, 2019**

The Board of Trustees of the Louisiana State Employees' Retirement System met on Thursday, February 21, 2019, in the fourth floor Board Room of the Retirement Systems Building located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana.

Ms. Shannon Templet, Chair, called the meeting to order at 1:41 p.m. Roll call was conducted by Ms. Beth Gordon, recording secretary.

\*\*\*\*\*

**Members Present:** Mr. Thomas Bickham, Judge William Kleinpeter, Ms. Janice Lansing, Ms. Amy Mathews (designee of the Treasurer), Mr. Rick McGimsey (designee of the Commissioner), Ms. Barbara McManus, Ms. Shannon Templet, and Ms. Lorry Trotter

**Members Absent:** Ms. Virginia Burton, Ms. Beverly Hodges, Ms. Lori Pierce Representative Kevin Pearson, and Senator Barrow Peacock

**Staff Present:** Ms. Cindy Rougeou, Executive Director; Ms. Maris LeBlanc, Deputy Director and Chief Operating Officer; Mr. Trey Boudreaux, Chief Administrative Officer; Mr. Steve Stark, Deputy General Counsel; Mr. Bobby Beale, Chief Investment Officer; Mr. Artie Fillastre, Chief Fiscal Officer; Ms. Tricia Gibbons, Retirement Benefits Administrator; Mr. Ryan Babin, Audit Director; Ms. Tonja Normand, PID Director; Mr. Dan Bowden, IT Director; John Schilling, IT Applications Program Analyst; Mr. Bobby Wilkins, IT Applications Project Leader; and Ms. Beth Gordon, recording secretary

**Also Present:** Ms. Shelley Johnson, Foster & Foster

\*\*\*\*\*

A quorum was declared present and the meeting opened for business.

Ms. Templet called for public comment. No public comments were made.

**Regular Business**

Ms. Templet called for approval of the minutes of the January 24, 2019 Board Meeting. **Ms. McManus moved, seconded by Mr. Bickham, to approve the minutes. With no objection or discussion, the motion passed.**

Mr. Bickham reported the Investment Committee met on Thursday, February 21, 2019, and had the following to report:

**The Investment Committee recommended and Mr. Bickham moved, seconded by Ms. McManus, to accept the Investment Policy Guideline changes as presented. With no objection or discussion, the motion carried.**

Ms. McManus reported the Management Committee met on Thursday, February 21, 2019 and had the following to report:

**The Management Committee recommended and Ms. McManus moved, seconded by Mr. Bickham, to approve the February 2019 Disability Report. With no objection or discussion, the motion carried.**

**Ms. McManus moved, seconded by Mr. Bickham, to acknowledge receipt of the administrative errors report and documentation. With no objection or discussion, the motion carried.**

Ms. Rougeou introduced John Schilling as a LASERS new employee.

**Adjournment**

With no other business to discuss the meeting adjourned at 1:47 p.m.



---

Cindy Rougeou, Executive Director



## 2019 Committee Assignments

**Shannon Templet, Board Chair**

**Management Committee**

Barbara McManus, Chair  
Thomas Bickham  
Virginia Burton  
\*Barbara Goodson/Richard McGimsey  
Afranie Adomako  
Beverly Hodges  
William Kleinpeter  
Janice Lansing  
\*\*Amy Mathews/John Broussard  
Senator Barrow Peacock  
Representative J. Kevin Pearson  
Lori Pierce  
Shannon Templet  
Lorry Trotter

**Investment Committee**

Beverly Hodges, Chair  
Thomas Bickham  
Virginia Burton  
\*Barbara Goodson/Rick McGimsey  
Afranie Adomako  
William Kleinpeter  
Janice Lansing  
\*\*Amy Mathews/John Broussard  
Barbara McManus  
Senator Barrow Peacock  
Representative J. Kevin Pearson  
Lori Pierce  
Shannon Templet  
Lorry Trotter

\*Designee – Commissioner - D of A

**Thomas Bickham, Vice Chair**

**Legislative Committee**

William Kleinpeter, Chair  
Thomas Bickham  
Virginia Burton  
\*Barbara Goodson/Richard McGimsey  
Afranie Adomako  
Beverly Hodges  
Janice Lansing  
\*\*Amy Mathews/John Broussard  
Barbara McManus  
Senator Barrow Peacock  
Representative J. Kevin Pearson  
Lori Pierce  
Shannon Templet  
Lorry Trotter

**Audit Committee**

Virginia Burton, Chair  
Thomas Bickham  
Beverly Hodges  
William Kleinpeter  
Janice Lansing

\*\*Designee – Treasurer Schroder