

# LASERS Benefits Louisiana.

Louisiana State Employees'  
Retirement System



Board Book



**NOTICE AND AGENDA**  
***Audit Committee Meeting***  
***Thursday, September 26, 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 June 27, 2019, meeting of the Audit Committee **(Action Item)**  
*Virginia Burton, Chair*
2. FYE 2020 Audit Projects Status Update  
*Ryan Babin, Audit Director*

**V. NEW BUSINESS**

1. External Audit Report for FYE 2019 **(Action Item)**  
*Freddy Smith, Postlethwaite & Netterville*  
*Bonnie Marcantel, Postlethwaite & Netterville*  
*Tara Oskins, Postlethwaite & Netterville*
2. Building Fund Audit Report for FYE 2019  
*Ryan Babin, Audit Director*
3. Audit Staff Continuing Education Report for FYE 2019  
*Ryan Babin, Audit Director*
4. Semi-Annual Review of Open Items Report  
*Ryan Babin, Audit Director*
5. Customer Service Evaluation Survey Results  
*Ryan Babin, Audit Director*

6. Reports to be Reviewed

*Ryan Babin, Audit Director*

7. Audit Director's Comments

*Ryan Babin, Audit Director*

8. 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  
Audit Committee Meeting  
June 27, 2019**

The Audit Committee of the Louisiana State Employees' Retirement System met on Thursday, June 27, 2019 in the fourth floor conference room of the Retirement Systems Building located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana.

Ms. Virginia Burton, Committee Chair, called the meeting to order at 12:32 p.m. Roll was called by Ms. Beth Labello, recording secretary.

\*\*\*\*\*

**Members Present:** Ms. Virginia Burton, Mr. Thomas Bickham, Ms. Beverly Hodges, Judge William Kleinpeter, Ms. Janice Lansing

**Staff Present:** Mr. Ryan Babin, Audit Director; 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. Artie Fillastre, Chief Fiscal Officer; Mr. Dan Bowden, IT Director; Ms. Beth Labello, recording secretary

**Also Present:** Ms. Lorry Trotter; Ms. Lori Pierce; Ms. Shannon Templet, Trustees; Mr. Rick McGimsey, Designee for the Commissioner of Administration; Ms. Amy Mathews, Designee for the Treasurer; Mr. Philip Qualls, Treasurer's Office; Mr. Freddy Smith, Ms. Tara Oskins, Ms. Megan Mensi, Postlethwaite & Netterville

\*\*\*\*\*

A quorum was announced present and the meeting opened for business. There were no public comments.

**Regular Business**

Ms. Burton called for approval of the minutes of the March 21, 2019, Audit Committee Meeting. **Judge Kleinpeter moved, seconded by Ms. Hodges, to approve the minutes. With no objection or discussion, the motion carried.**

Mr. Babin reviewed the fiscal year ending 2019 audit projects status report. **Ms. Lansing moved, seconded by Judge Kleinpeter, to approve the FYE 2019 audit plan changes as presented. With no objection or discussion, the motion carried.**

### **New Business**

Mr. Freddy Smith with Postlethwaite & Netterville gave a presentation on the Financial Statement Audit FYE June 30, 2019.

Mr. Babin reviewed the Louisiana Compliance Questionnaire. **Judge Kleinpeter moved, seconded by Mr. Bickham, to recommend the Board approve the Louisiana Compliance Questionnaire, as presented. With no objection or discussion, the motion carried.**

Mr. Babin reviewed the fiscal year 2020 Audit Plan, including an overview of the multi-year plan. **Ms. Hodges moved, seconded by Judge Kleinpeter, to recommend the Board approve the 2020 Audit Plan, as presented. With no objection or discussion, the motion carried.**

Mr. Babin reviewed some edits to the Audit Services Division Charter. **Judge Kleinpeter moved, seconded by Ms. Lansing, to recommend the Board approve the Audit Services Division Charter Updates, as presented. With no objection or discussion, the motion carried.**

Mr. Babin reviewed the customer service evaluation survey results.

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

- 1923 Benefit Calculation Review
- 1924 Louisiana State University Medical Center (External Review)
- 1925 Board of Commissioners Port of New Orleans (External Review)

Mr. Babin had nothing to report in his comments to the Committee.

Ms. Rougeou showed a LASERS produced video that was presented at the APPFA Conference.

### **Other Business**

No other business was discussed.

### **Adjournment**

The meeting adjourned at 1:15 p.m.

## FYE 2020 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
01	Fiscal	Agency Contribution Reporting	<b>Project 1801 - report being finalized.</b>	Oct-Dec	3/14/2018	
02	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. Update: The initial audit by the third party vendor has been completed and LASERS is in the process of addressing the exceptions identified. Once the exceptions have been addressed, a follow up audit will be performed by the third party vendor.</b>	Jan-Mar	2/26/2018	
03	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: 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	
04	Member Services/Fiscal/IT	Online Self-Service Security (Optimus Project Implementation (Phase 3) related)	This is project relate to Phase 3 of the Imaging replacement project. Audit's involvement in this project will be focused on the online self-service security. <b>Project 1908 - Fieldwork being performed.</b>	Jul-Sep	7/9/2018	
05	Fiscal	Rehire Retirees	<b>Project 1914 - fieldwork being performed.</b>	Jan-Mar	8/29/2018	

## FYE 2020 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
06	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	
07	Investments/Fiscal	Investment manager review	<b>Project 1928 Vista Equity Partners - COMPLETED.</b>	Jan-Mar	2/27/2019	7/29/2019
08	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		
		2003 Department of Natural Resources	<b>Completed.</b>	N/A	7/1/2019	7/10/2019
		2006 Port of Lake Charles	<b>Fieldwork being performed.</b>	N/A	7/19/2019	
		2007 Department of Environmental Quality	<b>Completed.</b>	N/A	7/22/2019	8/16/2019
		2010 Department of Justice	<b>Fieldwork being performed.</b>	N/A	8/23/2019	
		2011 McNeese State University	<b>Fieldwork being performed.</b>	N/A	8/29/2019	

## FYE 2020 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
09	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.	Jul-Jun	7/1/2019	
			This project consists of the development of new automated testing for employer agencies.	Jul-Jun	7/1/2019	
10	Audit Services	Fraud Investigations		Jul-Jun	7/1/2019	
11	Member Services/Fiscal/IT	Funding Actuarial File Review	This project includes the testing of the actuarial data files submitted to the System Actuary for completion of the funding actuarial valuation. This will cover the most recent previous fiscal year. <b>Project 2004 - fieldwork being performed.</b>	Jul-Sep	7/1/2019	
12	Investments/Fiscal	Master Custodian Bank Review (BNY Mellon)	<b>Project 2005 - fieldwork being performed.</b>	Jul - Sep	7/1/2019	
13	Member Services/Fiscal/IT	GASB 68 Actuarial File Review	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.  This will cover the most recent previous fiscal year. <b>Project 2008 - fieldwork being performed.</b>	Aug-Oct	7/31/2019	
14	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 2012 - fieldwork being performed.</b>	Sep	9/6/2019	
15	Audit Services	Mkinsight/Pentana Audit Upgrade and Enhancement	This project will be completing an upgrade of our audit management system.	Sep-Dec		

## FYE 2020 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
16	IT	Disaster Recovery Process Modernization	IT is taking the steps to modernize the technology and approach to disaster recovery at LASERS. As part of this initiative, the disaster recovery process is also being modernized. Audit will participate in this project in a consulting capacity and review the new process as it is being developed and implemented. <b>Project 2009 - fieldwork being performed.</b>	Sep-Nov	8/20/2019	
17	Executive/Member Services/Fiscal/IT	Actuarial File Layout Update Project (FYE 2020)	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. Final decisions have not been made on the planned work on this project for the fiscal year, but the goal is to begin work on Phase 1.	Oct-Dec		
18	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.	Oct-Dec		
19	Member Services	Benefit Calculation Review		Dec-Feb		
20	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.	Jan-Mar		
21	Audit Services	Peer Review of Louisiana Tech Internal Audit Function	The audit director has been requested to participate on the team that will perform a peer review of the Louisiana Tech internal audit function.	Jan-Mar		

## FYE 2020 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
22	Investments/Fiscal	Investment manager review		Jan-Mar		
23	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		
24	Audit Services	Internal Quality Assurance Review	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.	Mar-May		
25	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.	Jul-Jun		

## FYE 2020 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
26	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.	Jul-Jun	7/1/2019	
			This project consists of the development of new continuous auditing tests.	Jul-Jun	7/1/2019	
			Review of IRS Form 1099-R issued by LASERS.	Jan		
			Review of Required Minimum Distributions issued by LASERS.	Oct-Dec		
27	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 and Project 1801 Agency Contribution Reporting Review.	Jul-Jun		
		<b>ADMINISTRATIVE WORK</b>				

## FYE 2020 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
28	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.			N/A	
		<b><u>UNBUDGETED PROJECTS</u></b>				
29	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>				
		83.14%	Budgeted Projects			
		2.44%	Follow up Activities			
		5.83%	Unbudgeted Projects			
		8.59%	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>LASERS</u></b>		
		<b><u>Name and Position</u></b>	<b><u>Certifications</u></b>	<b><u>Audit Experience (Approx.)</u></b>		

## FYE 2020 Audit Plan

#	Division	Engagement Name	Status/Comments	Planned Start Period	Actual Start Date	Actual Completion Date
		Ryan Babin, Audit Director	Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA)	16 years		
		Reece Babin, Staff Auditor		2 years		
		Nicole Xue, Staff Auditor		1 year		
		Paul Tran, Staff Auditor		1 year		
		Laura Sena, Staff Auditor	CPA	2 months		

**Retirement System's Building  
Management Partnership  
(A Louisiana Partnership)  
Baton Rouge, Louisiana  
June 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Retirement System's Building Management Partnership  
Post Office Box 44213  
Baton Rouge, Louisiana 70804

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Retirement System's Building Management Partnership, which comprise the balance sheets as of June 30, 2019 and 2018, and the related statements of revenues and expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Retirement System's Building Management Partnership as of June 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Owners' Appointed Representatives on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated August 20, 2019, on my consideration of Retirement System's Building Management Partnership's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Retirement System's Building Management Partnership's internal control over financial reporting and compliance.

*Steven M. DeRouen & Associates*

August 20, 2019

**Retirement System's Building Management Partnership  
Management's Discussion and Analysis  
June 30, 2019**

The following is management's discussion and analysis of the financial performance of the Retirement System's Building Management Partnership. It is presented as a narrative overview and analysis for the purpose of assisting the reader with interpreting key elements of the financial statements, including notes to the financial statements

***FINANCIAL HIGHLIGHTS***

- Net position increased \$108,555 for the year ended June 30, 2019 to \$3,759,799.
- Revenue over expenses in the current fiscal year increased by \$499,988 to \$557,720.
- Operating expenses decreased \$459,827 from 2018 to \$1,066,731.

**Note:** The net position and revenue over expense increases are due to large non-capitalizable repair projects incurred in the 2018 fiscal year which were not present during the fiscal year ended June 30, 2019.

- There were \$449,165 in distributions of capital assets to partners during the current fiscal year.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

The explanation of the financial statements is as follows:

*Balance Sheets* – These statements present the assets, liabilities, and net position as of June 30, 2019 and 2018.

*Statements of Revenue and Expenses* – These statements present the results of the Partnership's operations during the years ended June 30, 2019 and 2018. They disclose the net revenue over expenses.

*Statements of Cash Flows* – These statements reflect the cash inflows and outflows that have a direct impact on the cash account for each year presented.

*Notes to the Financial Statements* – The notes provide additional information that is essential to understand the data presented in the financial statements.

***RETIREMENT SYSTEM'S BUILDING MANAGEMENT PARTNERSHIP FINANCIAL ANALYSIS***

The Partnership was created for the purpose of managing and maintaining the immovable property, owned by partners located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana. Rental revenue is used to pay the Partnership expenses and build up equity to meet unforeseen needs and planned upgrades to the building and grounds. Revenue over expenses for the year ended June 30, 2019 amounted to \$557,720, an increase of \$499,988 compared to \$57,732 for the year ended June 30, 2018. Expenses were \$1,066,731 for the year ended June 30, 2019 as compared to \$1,526,558 for the year ended June 30, 2018, a decrease of \$459,827 or 30.1%.

**Retirement System's Building Management Partnership  
Management's Discussion and Analysis  
June 30, 2019**

**RETIREMENT SYSTEM'S BUILDING MANAGEMENT PARTNERSHIP FINANCIAL ANALYSIS (Continued)**

**CONDENSED BALANCE SHEETS  
JUNE 30, 2019, 2018, AND 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL ASSETS	\$ 3,824,366	\$ 3,732,091	\$ 3,910,340
CURRENT LIABILITIES	\$ 64,567	\$ 80,847	\$ 60,813
NET UNRESTRICTED POSITION	3,759,799	3,651,244	3,849,527
TOTAL LIABILITIES AND NET POSITION	\$ 3,824,366	\$ 3,732,091	\$ 3,910,340

Net position increased \$108,555 from 2018 to 2019 compared to a decrease of \$198,283 from 2017 to 2018. The decrease in unrestricted net position is due to large non-capitalizable repair projects incurred in the 2018 fiscal year which were not present during the fiscal year ended June 30, 2019.

**CONDENSED STATEMENTS OF REVENUE AND EXPENSE  
YEARS ENDED JUNE 30, 2019, 2018, AND 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
OPERATING REVENUE	\$ 1,624,451	\$ 1,584,290	\$ 1,551,339
OPERATING EXPENSES	1,066,731	1,526,558	903,477
REVENUE OVER EXPENSES	557,720	57,732	647,862
DISTRIBUTIONS	(449,165)	(256,015)	(12,000)
CHANGE UNRESTRICTED NET POSITION	\$ 108,555	\$ (198,283)	\$ 635,862

Revenue over expenses in the 2019 fiscal year increased \$499,988 from 2018. The increase is primarily due to large non-capitalizable repair projects incurred in the 2018 fiscal year which were not present during the fiscal year ended June 30, 2019.

**CAPITAL IMPROVEMENTS**

The Partnership does not own any property. The partners own all the immovable and moveable property. Improvements or additions to the property are financed through the Partnership and are treated as distributions to the partners.

**REQUESTS FOR INFORMATION**

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Retirement System's Building Management Partnership, 8401 United Plaza Boulevard, First Floor, Baton Rouge, Louisiana, 70809.

**Retirement System's Building Management Partnership**  
**Balance Sheets**  
**As of June 30, 2019 and 2018**

	<b>Assets</b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ <u>207,818</u>	\$ <u>371,050</u>
Total current assets	<u>207,818</u>	<u>371,050</u>
<b>Other Assets</b>		
Cash designated for long-term purposes	<u>3,616,548</u>	<u>3,361,041</u>
Total assets	\$ <u><u>3,824,366</u></u>	\$ <u><u>3,732,091</u></u>
 <b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ <u>64,567</u>	\$ <u>80,847</u>
Total current liabilities	<u>64,567</u>	<u>80,847</u>
<b>Unrestricted Net Position</b>		
Teachers' Retirement System of Louisiana (50% interest)	1,879,899	1,825,622
Louisiana State Employees' Retirement System (50% interest)	<u>1,879,900</u>	<u>1,825,622</u>
Total unrestricted net position	<u>3,759,799</u>	<u>3,651,244</u>
Total liabilities and unrestricted net position	\$ <u><u>3,824,366</u></u>	\$ <u><u>3,732,091</u></u>

The accompanying notes are an integral part of the financial statements.

**Retirement System's Building Management Partnership**  
**Statements of Revenue and Expenses**  
**For the Years Ended June 30, 2019 and 2018**

	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>Revenue</b>		
Rent - related party	\$ 1,530,540	\$ 1,530,540
Interest income	93,851	53,700
Other income	<u>60</u>	<u>50</u>
Total revenue	<u>1,624,451</u>	<u>1,584,290</u>
<b>Expenses</b>		
Repairs and maintenance	477,824	969,540
Utilities	319,105	304,297
Payroll expense	167,160	157,918
Management fee	38,796	38,796
Other expenses	<u>63,846</u>	<u>56,007</u>
Total expenses	<u>1,066,731</u>	<u>1,526,558</u>
<b>Revenue over Expenses</b>	<u><u>\$ 557,720</u></u>	<u><u>\$ 57,732</u></u>

The accompanying notes are an integral part of the financial statements.

**Retirement System's Building Management Partnership  
Statements of Changes in Net Position  
For the Years Ended June 30, 2019 and 2018**

	<b>Teachers' Retirement System of Louisiana</b>	<b>Louisiana State Employees' Retirement System</b>	<b><u>Total</u></b>
Balance, June 30, 2017	\$ 1,924,764	\$ 1,924,763	\$ 3,849,527
Add:			
Revenue over expenses	28,866	28,866	57,732
Deduct:			
Distributions	<u>(128,008)</u>	<u>(128,007)</u>	<u>(256,015)</u>
Balance, June 30, 2018	<u>1,825,622</u>	<u>1,825,622</u>	<u>3,651,244</u>
Add:			
Revenue over expenses	278,860	278,860	557,720
Deduct:			
Distributions	<u>(224,583)</u>	<u>(224,582)</u>	<u>(449,165)</u>
Balance, June 30, 2019	<u><u>\$ 1,879,899</u></u>	<u><u>\$ 1,879,900</u></u>	<u><u>\$ 3,759,799</u></u>

The accompanying notes are an integral part of the financial statements.

**Retirement System's Building Management Partnership**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2019 and 2018**

	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>Cash Flows From Operating Activities</b>		
Rents received	\$ 1,530,540	\$ 1,530,540
Interest received	93,851	53,700
Other fees and revenue	60	50
Cash paid to suppliers and employees	<u>(1,083,011)</u>	<u>(1,416,524)</u>
Net cash provided by operating activities	<u>541,440</u>	<u>167,766</u>
<b>Cash Flows From Investing Activities</b>		
Designated for long-term purpose	<u>(255,507)</u>	<u>(49,627)</u>
Net cash used in investing activities	<u>(255,507)</u>	<u>(49,627)</u>
<b>Cash Flows From Financing Activities</b>		
Distributions to partners	<u>(449,165)</u>	<u>(256,015)</u>
Net cash used in financing activities	<u>(449,165)</u>	<u>(256,015)</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	(163,232)	(137,876)
<b>Cash - Beginning of Year</b>	<u>371,050</u>	<u>508,926</u>
<b>Cash - End of Year</b>	<u><u>\$ 207,818</u></u>	<u><u>\$ 371,050</u></u>
<b>Reconciliation of Revenue over Expenses to Net Cash Provided by Operating Activities</b>		
Revenues over expenses	\$ 557,720	\$ 57,732
Adjustments to reconcile revenues over expenses to net cash provided by operating activities:		
(Increase) decrease in deposits	-	90,000
Increase (decrease) in accounts payable	<u>(16,280)</u>	<u>20,034</u>
Net cash provided by operating activities	<u><u>\$ 541,440</u></u>	<u><u>\$ 167,766</u></u>

The accompanying notes are an integral part of the financial statements.

**Retirement System's Building Management Partnership**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 1 – Summary of Significant Accounting Policies**

**A. Business Operation of Partnership**

The Partnership between Teachers' Retirement System of Louisiana and the Louisiana State Employees' Retirement System was formed July 1, 1992.

The Partnership was created for the purpose of managing and maintaining the office building owned by the partners located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana. Rental income is used to pay the expenses of the Partnership and any excess revenue may be distributed to the partners.

Under *Governmental Accounting Standards Board* Statement No. 61, "The Financial Reporting Entity," the definition of the reporting entity is based primarily on the notion of financial accountability. In determining financial accountability for legally separate organizations, the Partnership considered whether its officials appoint a voting majority of an organization's governing body and whether they are able to impose their will on that organization or if there is a potential for the organization to provide specific financial burdens to, or to impose specific financial burdens on the Partnership. The Partnership determined there are no organizations that are fiscally dependent on it and there are no component units of the Partnership.

**B. Basis of Accounting**

The Partnership has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. The financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when liabilities are incurred and revenues are recorded in the accounting period they are earned and become measureable. The Partnership accrues expenses associated with environmental remediation obligations when such expenses are probable and reasonably estimable. Accruals for estimated expenses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

**C. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**D. Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Partnership considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**E. Reclassifications**

Certain reclassifications may have been made to the 2018 financial statements to conform with the 2019 financial statement presentation. The reclassifications had no effect on the Partnership's net position.

**Retirement System's Building Management Partnership**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 2 – Unrestricted Designations**

Unrestricted designations represent funds that the management and managing partners of the Retirement System's Building Management Partnership have designated to provide a reserve for maintenance emergencies and building improvements. Total unrestricted designations, presented as "cash designated for long-term purposes" on the balance sheets, were \$3,616,548 and \$3,361,041 at June 30, 2019 and 2018, respectively.

**Note 3 – Cash and Cash Equivalents**

Under state law, the Partnership may deposit funds in demand deposit, interest bearing demand deposit, money market, or time deposit accounts with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The Partnership had cash and cash equivalents (book balances), including cash designated for long-term purposes, totaling \$3,824,366 and \$3,732,091 at June 30, 2019 and 2018, respectively.

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance and/or the pledge of securities. The market value of the pledged securities plus the federal deposit insurance (FDIC) must at all times equal the amount on deposit with the fiscal agent. These securities are held by the pledging financial institution's trust department or agent, in the Partnership's name.

At June 30, 2019, the Partnership had \$3,826,769 in deposits (collected bank balances) of which \$250,000 was covered by Federal Deposit Insurance Corporation. The remainder was collateralized by securities held by the custodial bank in the Partnerships name, in the amount of \$3,640,751.

At June 30, 2018, the Partnership had \$3,736,090 in deposits (collected bank balances) of which \$250,000 was covered by Federal Deposit Insurance Corporation. The remainder was collateralized by securities held by the custodial bank in the Partnerships name, in the amount of \$3,550,984.

**Note 4 – Related Party Transactions**

The partners agree on the amount of rent to be paid annually. The total amount of rent paid for the years ended June 30, 2019 and 2018 was \$1,530,540 and \$1,530,540, respectively. Teachers' Retirement System of Louisiana paid \$830,369 and \$830,369 and Louisiana State Employees' Retirement System paid \$700,171 and \$700,171 for the years ended June 30, 2019 and 2018, respectively.

**Note 5 – Management Fee**

The Partnership has a management agreement for \$3,233 per month in effect through June 30, 2022. However, either party may cancel this management agreement for any reason effective thirty days after receipt of written cancellation notice. The total amount of management fees paid for the years ended June 30, 2019 and 2018 were \$38,796 and \$38,796, respectively. The Partnership reimburses the manager for all payroll and security guard costs based on approvals of the partners.

**Retirement System's Building Management Partnership**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 6 – Pollution Remediation Obligation**

During the fiscal year ended June 30, 2014, the office building the Partnership manages and maintains emergency generator diesel tank leaked out all of its contents. In conjunction with the State of Louisiana Department of Environmental Quality, the Partnership began a project to decontaminate the soil beneath the diesel tank and expects this project to continue through the next two to ten fiscal years. The Partnership estimated the cost of decontamination to total at least \$177,130 and incurred \$16,301, \$13,963, \$37,054, \$40,615 and \$44,197 in cash outlays during the fiscal years ended June 30, 2019, 2018, 2017, 2016 and 2015, respectively. The remaining estimated liability of \$25,000 has been accrued as an operating expense reported in the fiscal year ended June 30, 2019. The ultimate cost, however, will depend on the extent of contamination found as the project progresses.

**Note 7 – Subsequent Events**

The Partnership evaluated all subsequent events through the date of the audit report, the date the financial statements were available to be issued. As a result, the Partnership noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

# STEVEN M. DEROUEN & ASSOCIATES

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Member Louisiana Society of  
Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Retirement System's Building Management Partnership  
Post Office Box 44213  
Baton Rouge, Louisiana 70804

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Retirement System's Building Management Partnership, which comprise the balance sheet as of June 30, 2019, and the related statement of revenue and expenses, changes in net position, and cash flows for the year then ended and the related notes to the financial statements, and have issued my report thereon dated August 20, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, I considered Retirement System's Building Management Partnership's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Retirement System's Building Management Partnership's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Retirement System's Building Management Partnership's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Steven M. DeRouen & Associates

August 20, 2019

**Retirement System's Building Management Partnership  
Schedule of Current Year Findings and Responses  
Year Ended June 30, 2019**

**A. Summary of Independent Auditor's Results:**

1. Unmodified opinion on financial statements.
2. Significant deficiencies and material weaknesses in internal control – none reported.
3. Noncompliance material to the financial statements – none reported.

**B. GAGAS Findings:**

None reported.

**Retirement System's Building Management Partnership  
Schedule of Prior Year Findings and Responses  
Year Ended June 30, 2018**

**C. Prior Year Findings:**

None reported.

## **Retirement System's Building Management Partnership**

### **Schedule of Compensation, Benefits and Other Payments to Owners' Appointed Representatives**

**June 30, 2019**

**Agency Head Names: Dana Vicknair, Director-Teachers Retirement System of Louisiana, Cindy  
Rougeou, Director-Louisiana State Employees' Retirement System**

**NO COMPENSATION PAID FROM PUBLIC FUNDS**

<b>Purpose</b>	<b>Amount</b>
Salary	0.00
Benefits-health insurance	0.00
Benefits-retirement	0.00
Benefits-Life, ADD, LTD	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements – Auto Mileage Reimb	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

**Note: This schedule is included as supplementary information.**

## *Continuing Professional Education (CPE) hours for Audit Staff*

<i>Auditor</i>	<i>Fiscal Year End</i>	<i>Date</i>	<i>Description</i>	<i>CPE Hours</i>
<b>Nicole Xue</b>				
	<i>2019</i>			
		7/31/2018	PREP Workshop (LASERS)	4
		8/31/2018	ACL Analytics Applications	26
		11/7/2018	APPFA Professional Development Conference	20
		5/8/2019	APPFA Professional Development Conference	18.5
			<b>Total Hours for Fiscal Year</b>	<b>68.5</b>
<b>Paul Tran</b>				
	<i>2019</i>			
		8/30/2018	ACL Training (Basic)	35
		10/11/2018	Ethics Training (LASERS)	1
		5/8/2019	APPFA Professional Development Conference	18.5
			<b>Total Hours for Fiscal Year</b>	<b>54.5</b>
<b>Reece Babin</b>				
	<i>2019</i>			
		7/3/2018	ACL Intermediate Training	10
		9/27/2018	ACL Analytics Scripting Training	12.5
		10/16/2018	Ethics Training (LASERS)	1
		12/7/2018	ACL ACDA Level 1-3 Certification Training	11

<i>Auditor</i>	<i>Fiscal Year End</i>	<i>Date</i>	<i>Description</i>	<i>CPE Hours</i>
		5/8/2019	APPFA Professional Development Conference	18.5
<b>Total Hours for Fiscal Year</b>				<b>53</b>

**Ryan Babin**

*2019*

8/8/2018	Work Processes (CPTP)	1
8/8/2018	Auditing Disaster Recovery and Business Continuity Planning (IIA)	1
9/12/2018	Auditing the Human Resources Function (IIA)	1
10/11/2018	Ethics Training (LASERS)	1
10/16/2018	LSU CIA Alumni Training	16
10/19/2018	Ethics for Louisiana CPAs	3
1/23/2019	Trustee Workshop (LASERS)	2
1/24/2019	Using Robotics with ACL	1
4/3/2019	Cybersecurity and Fraud Protection Forum (JP Morgan Chase)	1
5/8/2019	APPFA Professional Development Conference	18.5
<b>Total Hours for Fiscal Year</b>		<b>45.5</b>

# Employer Agency Review (Open Items)

Status Date

8/29/2019

Engagement #  
and Title

Item # Observation

Recommendation/Audit Comments

1623	Louisiana State University (LSU)	01A	<p>There were thirteen rehired retiree reporting errors identified. Nine retirees were rehired in LASERS eligible positions where reporting to LASERS was required, but they were not reported. Four retirees were reported to LASERS when they should not have been since they were rehired into positions that are not eligible for LASERS.</p> <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. Additionally, LASERS Liaison Memo 13-23 states that when a retiree returns to work in a LASERS eligible position, the agency should submit a Re-employment of Retiree form to LASERS within forty-five days of hire. During this review, the agency indicated that they will provide training to ensure rehired retirees in LASERS covered positions are properly reported to LASERS.</p> <p>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 one retiree who was eligible to be reported to LASERS.</p>	<p>The agency should provide LASERS the necessary remaining information to properly correct the records for the retirees noted in this observation.</p> <p>LSU agrees with this recommendation and will notify LASERS of the date of reemployment, the option selected for reemployment, and termination date for the nine retirees. All of these rehired retirees elected to limit their earnings, therefore no contributions are required. LASERS will be notified of the Form 10-2 reporting for the ineligible retirees sent in error. Any earnings and contributions sent in error will be corrected. LSU is working with a new HR/Payroll and Finance system, which went live July 1, 2016.</p> <p>March 2017 Update (Audit Services): The agency is in the process of correcting the remaining records.</p> <p>August 2019 Update (Audit Services): The agency is in the process of correcting the remaining records.</p>
1722	Nicholls State University	01B	<p>During this review, there were base pay related reporting issues identified for three individuals. For these individuals, the monthly base pay reported to</p>	<p>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</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.*

LASERS did not consistently correlate to the monthly 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.

addressed. The University noted that they have previously 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.

August 2019 Update (Audit Services):  
The agency has informed their staff on how to correctly process these. They are currently in the process of updating the procedures. The estimated time for completion is December 31, 2019.

1917 Delgado  
Community  
College

01B 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

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. 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.

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***Engagement #  
and Title***

***Item # Observation***

***Recommendation/Audit Comments***

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.

August 2019 Update (Audit Services):  
The agency has informed their staff on how to properly process these situations. They are currently in the process of updating their procedures.

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.

*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**

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>
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*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.

August 2019 Update (Chief Risk Officer):

The formal risk assessment for business continuity is currently in progress and is expected to be completed by 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.*

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.

*Engagement #  
and Title*

*Item # Priority Observation*

*Recommendation/Audit Comments*

1316	Required Minimum Distribution Review	01C	1 - High	<p>In one instance a member that terminated in October 2012 who met the requirements for an RMD, did not receive a distribution since Empower Retirement did not receive the termination date until January 2013. An ancillary procedure to run the RMD process after the calendar year end (but prior to the deferral deadline of April 1st for first year RMD recipients) would identify individuals that are due an RMD, but were not identified initially due to timing.</p>	<p>Member Services should work with Empower Retirement to ensure that an ancillary RMD process is developed. Member Services agrees with the recommendation and responded that Empower Retirement will be notified of the importance of establishing an ancillary process to catch late retirees.</p> <p>September 2014 Update: Fiscal suggests moving the target completion date to June 30, 2015 as this process just recently transitioned to them and they need time to work through it themselves work with Empower Retirement. Member Services replied to Fiscal in early September stating that they have not sent anything to Empower Retirement as they were waiting on confirmation from tax counsel on beneficiary related calculations.</p> <p>March 2016 Update (Fiscal): We have not had time to obtain information from Empower Retirement due to new projects in the responsible area (Affordable Care Act compliance, JDE upgrade, etc.). Fiscal will contact Empower Retirement to obtain data issued by them and any logic documents they can provide to assist in the performance of testing. From there, Fiscal will see what additional changes should be made on their part. We will communicate our findings and conduct testing on their 2016 RMDs. Recommend new target completion date of February 28, 2017.</p> <p>February 2017 Update (Fiscal): At this point, Fiscal has not verified that Empower has an ancillary process in place to run the RMD process after the</p>
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*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.*

calendar year end but before April 1st. However, after the final review of the data referenced in Project 1316 Required Minimum Distribution Review - Observation 1, Recommendation 1 (Item #117), Fiscal will work with Empower to see if they have a process in place to run RMDs after the year end. If not, then Fiscal will set up meetings/calls, as needed, to have them put the process in place for 2017. Request new completion date of April 30, 2018 to allow for process changes and to verify data up to April 1, 2018.

**August 2018 Update (Fiscal):**

Based upon our testing, it appears that Empower does not update their RMD recipient listing after they run the report that is sent to us in August each year for verification. An email was sent to Empower to confirm this, but no response has been received. We will continue to work with them requesting that they perform an ancillary process in early March of each year to catch anyone that terminated late in the previous year who should've received an RMD. For LASERS, we will run a report (Benefit Payees Added during period) the 1st few days of March for the periods of 8/1/PY thru 2/28/CY and filter for retirement dates in the PY that were processed after the Empower RMD report was generated. A letter will be sent to anyone that was missed and we will request Empower to issue the RMD before the April deadline. For 2017, 3 were missed however 1 took a large withdrawal prior to the April deadline. Attached is a spreadsheet showing the research/confirmation done for 2017. Fiscal feels we will have to continue performing our own validation in early March each year. Request an updated target completion date of May 31, 2019, to allow us to verify Empower's process works correctly for 2018.

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August 2019 Update (Fiscal):

After meeting with Empower in December 2018 to discuss the various concerns LASERS had with the RMD process, it was decided that LASERS would switch to Empower's "Full Service" RMD processing, which was approved in late March 2019. This will eliminate the manual verification done on Excel spreadsheets emailed to us from Empower. This will take effect for the 2019 RMD process. Based on information received, LASERS will need to continue the verification of RMDs for members who are 70 1/2 and have a retirement date in the prior year, yet the date was not submitted to Empower until the current year. Fiscal will need to update procedures for performing this verification utilizing the reports available in the processing center under the new full service plan. Due to this change in process we recommend a new target completion date of July 31, 2020.

## 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>
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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)

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**Recommendation/Audit Comments**

					<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>August 2019 Update (IT): Audit requirements have been requested by executive management. Those are being addressed. Update by September 30, 2019.</p>
1604	IT Security Management Review	03	2 - Medium	<p>According to the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-92, a log is a record of the events occurring within an organization's systems and networks. Logs are composed of log entries; each entry contains information related to a specific event that has occurred within a system or network. Many logs within an organization contain records related to computer security. These</p>	<p>IT should evaluate the current environment and establish policies and procedures to create an effective log management program.</p> <p>The corrective action plan for this item is noted below.</p> <p>Immediate Remediation Action Plan (COMPLETED) If there are reasons to believe that a security anomaly has occurred, the Adaptive Security Appliance (ASA) and anti- malware logs will be reviewed and anomalies will be addressed</p>

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computer security logs are generated by many sources, including security software, such as antivirus software, firewalls, and intrusion detection and prevention systems; operating systems on servers, workstations, and networking equipment; and applications.

The number, volume, and variety of computer security logs have increased greatly, which has created the need for computer security log management-the process for generating, transmitting, storing, analyzing, and disposing of computer security log data. Log management is essential to ensuring that computer security records are stored in sufficient detail for an appropriate period of time. Routine log analysis is beneficial for identifying security incidents, policy violations, fraudulent activity, and operational problems. Logs are also useful when performing auditing and forensic analysis, supporting internal investigations, establishing baselines, and identifying operational trends and long-term problems.

A fundamental problem with log management that occurs in many organizations is effectively balancing a limited quantity of log management resources with a continuous supply of log data. Log generation and storage can be complicated by several factors, including a high number of log sources; inconsistent log content, formats, and timestamps among

by the IT Security Administrator. Currently, this will remain a manual process. In addition, Malware reports will be generated weekly to identify ongoing security risks and will be followed up on by the IT Security Administrator.

**Further Remediation Planned**

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

- A review will be done of the NIST infrastructure logging recommendations and a standard IT policy for governance of logging along with applicable supporting procedures will be developed that will address, at a minimum, the following:
  - o What is monitored with logging software.
  - o What is monitored without logging software.
  - o Validation of process.
  - o Notification structure for failure to follow policy.
- An evaluation and recommendation will be made of available software to effectively aggregate and manage logging based on current best practices.

**August 2017 Update (IT):**

At this time, LASERS IT has reviewed QRadar, Splunk, and Microsoft Azure services (OMS). All solutions have pros and cons either expensive to purchase or expensive to implement/maintain. Further review and testing is needed to determine the best value for LASERS. Request change of target date to June 30, 2018.

**September 2018 Update (IT):**

LASERS IT has implemented a log management solution with vendor support to assist with refining the alerting process. After this refining process is complete, a process for how the system is managed will be developed if needed. Request change of target date to March 31, 2019.

**April 2019 Update (IT):**

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				<p>sources; and increasingly large volumes of log data. Log management also involves protecting the confidentiality, integrity, and availability of logs. Another problem with log management is ensuring that security, system, and network administrators regularly perform effective analysis of log data.</p> <p>Additionally, NIST recommends that organizations should:</p> <ul style="list-style-type: none"> <li>Establish policies and procedures for log management.</li> <li>Prioritize log management appropriately throughout the organization.</li> <li>Create and maintain a log management infrastructure.</li> <li>Provide proper support for all staff with log management responsibilities.</li> <li>Establish standard log management operational processes.</li> </ul> <p>According to IT, the monitoring of logs only occurs if an issue arises that requires a review of the logs to help identify how the problem occurred. For IT to continuously monitor LASERS logs for potential security weaknesses and other issues, IT would have to currently perform this manually.</p>	<p>The draft is not complete at this time. Please extend the timeline to June 30, 2019.</p> <p>September 2019 Update (IT): QRadar has been implemented and systems are continuing to be added for analysis. At present, too many false messages are presented to investigate regularly. LASERS has contracted with an external provider to assist with the continued setup and tuning of QRadars this fiscal year. Definition for what devices/systems are monitored and which rules apply will be documented in the software configuration. An update will be provided by December 31, 2019.</p>
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.</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</li> </ul>

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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, 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.

approved that will address, at a minimum, the following:

- o Detection
- o Analysis
- o Recovery
- o Post-Incident

•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.

•Investigation will be made into having a vendor retainer for 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

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					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 expertise LASERS desired.
					March 2019 Update (IT): Mandiant has an excellent service but the capital expense was greater than expected (in excess of \$100,000 annually). IT is continuing to look into other options.
					August 2019 Update (IT): The Security Administrator is tasked with completing this item this fiscal year. Due date June 30, 2020.
1604	IT Security Management Review	13	2 - Medium	A LASERS employee can access their email on their mobile device in two ways. One way is to utilize the LASERS webmail website which requires them to log into their account the same way they would if they were at home using their computer. This can be tedious for users who frequently check their email. To solve this problem, LASERS IT implemented the AirWatch software that securely makes their LASERS email readily available on their mobile device. To utilize AirWatch, the user must be approved and also consent to allowing IT to utilize AirWatch to set controls on their device.  According to IT procedure, the AirWatch	IT should develop and implement a review and monitoring process to ensure all users and devices connected to LASERS via AirWatch are in compliance with the IT controls and requirements.  Immediate Remediation Action Plan (COMPLETED) All AirWatch controls of requiring a passcode have been corrected. Email controls and the control to disallow "jailbroken" phones to connect to LASERS email has been verified. There were no exceptions noted. The term "jailbroken" refers to a process of removing software restrictions placed on the device by either the manufacturer or carrier/seller. Default restrictions are placed on devices by manufacturer and carriers to secure the core code and file system of the device against malicious activity. Breaking these default restrictions is called "Jail Breaking" a device and can allow malicious and unsecure code or apps to run on the device.

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application is configured to require a device to have a passcode in order to connect to their LASERS email. This is an important control because without a passcode, if a device is lost or stolen, someone outside of LASERS would have instant access to LASERS information. To ensure security rules are enforced, IT uses the AirWatch management console to establish and monitor the security access and device controls for all approved users.

During this review, it was identified that the device passcode requirement was not enforced for 20 of the 26 devices enrolled in AirWatch. The lack of passcode enforcement does not mean that these devices did not in fact have a passcode, but simply the IT control to require a passcode was not enabled for all devices. It should be noted that during this review IT updated the AirWatch control to now require all devices to have a passcode.

**Further Remediation Planned**

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

- A standard IT policy for governance of mobile devices on the LASERS network along with applicable supporting procedures will be developed that will address, at a minimum, the following:
  - o When mobile devices are allowed on the LASERS network.
  - o Required safeguards for LASERS data on mobile devices.
  - o Allowable exceptions.
  - o Exception process including documentation and approval process.
  - o Validation of process.
  - o Notification structure for failure to follow policy.
- A standard procedure for management of mobile devices will be developed to include, at a minimum, the following:
  - o Pre-upgrade assessment of impact to LASERS environment.
  - o Post-upgrade functionality regression testing which includes a post-upgrade report delivered to the IT Tech Support manager.
  - o Notification to the IT Security Administrator of any changes made to the mobile device management system to ensure that all security policies with the system remain in effect.

**September 2017 Update (IT):**

The immediate problem with AirWatch was resolved. 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):**

Currently being reviewed. Request change of target date to March 31, 2019.

**April 2019 Update (IT):**

The IT process is currently in review and should be internally

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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 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.</p>	<p>finalized within the month. Please update the completion to June 30, 2019.</p> <p>September 2019 Update (IT): The process is in draft. A review of the process is planned in the 4th quarter of 2019. An update will be provided by December 31, 2019.</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): 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.</p> <p>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.</p>
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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.

**August 2019 Update (IT):**

The role of the security administrator has been moved to report to the IT Deputy Director. With this change, a change in scope will occur. Previously the focus has been centered on networking products. The focus now is the holistic security of LASERS. But this change will take time to implement as staff are limited and the current security administrator has too many responsibilities for an organization this size. Step one is to pull the role out of day-to-day network support activities. This is targeted at the end of the year (December 31, 2019). Next the role will be integrated with security dealing with all application services starting with the changes for MyLASERS. Further out the role will be integrated in the other key application systems (Solaris, JDE, and Optimus). The current goals for this fiscal year are as follows: Multi-Factor Authentication (MFA) for all external systems (if available), draft an Incident Response Plan (IRP), develop a regular security debriefing, and define processes for a limited Service Organization Control (SOC) review. These changes will take the remainder of this fiscal year. Please set the target for December 31, 2019, for another update.

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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>
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Provided a new example as requested. No further response received. Please update the target date to December 31, 2018.

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.

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.

August 2019 Update (Audit Services):  
The LaGov team has made some progress on making the changes needed to address this issue. The initial program changes addressed some of the issues, but not all of them.

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

Status Date

7/1/2019

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and Title

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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>
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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

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.

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.

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*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 2019 Update (IT):  
Optimus has been replicated to iLand and testing is starting this month. The replication process has been smooth. Testing will begin by performing a test similar to what LASERS does with SunGard.

July 2019 Update (IT):  
LASERS IT is working to update the computer system Disaster Recovery (DR) process. Note this is not Business Continuity (BC). To date iLand has replicated copies of Optimus, Solaris, and JD Edwards. A full test of these systems was performed on June 19, 2019. It is of note this test performed on the 19th was more extensive than any test performed with SunGard in the past 15 years. Even with problems, the test completed in 8 hours. Further refinements to the DR replication and DR Test are needed. Another test is being planned before the September test with Audit observing. See the report of the test from the 19th uploaded. Please set the completion date of this item to December 31, 2019.

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

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## **EXTERNAL REVIEWS**

### **1928 Vista Equity Partners**

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

#### **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

### 1902 Employer Agency Queries

This was a planned engagement on the fiscal year end (FYE) 2019 Audit Plan. This report provides a progress update of the queries performed on employer agencies. The fieldwork for this engagement was completed on June 4, 2019.

Audit Services uses the available data for employer agencies, which consists of employee and leave information, for the purpose of developing and performing continuous auditing tests.

This project expands the coverage of Audit Services throughout the contributing agencies. Ongoing proactive reviews of these files are completed through Audit Command Language (ACL) scripts that are scheduled to run on a regular basis.

The results generated from testing are evaluated by Audit Services and then submitted to either LASERS or agency personnel for verification and correction, as necessary. Some examples of the types of anomalies include, but are not limited to, the following:

- Membership:
  - Individuals that are not enrolled and/or do not start contributing to LASERS on the date of hire.
  - Membership related information not properly reported to LASERS.
  - Membership related information in LaGov HCM System does not match SOLARIS.
- Rehired Retiree:
  - Rehired retirees that are not properly reported to LASERS, which may result in excess earnings or benefit overpayments (depending on rehire option selected).
  - Rehired retiree related information in LaGov HCM System does not match SOLARIS.
- Incorrect retiree leave balances reported to LASERS which can result in monthly benefit or lump sum leave payment errors.

Since these types of errors are typically found in a timelier manner than a traditional audit, the impact to LASERS and the individuals are mitigated. As noted in the engagement objectives, the focus is to ensure compliance with select statutory provisions. A total of 30 agency related issues were identified and the table below is a breakdown of the number and type of issues by agency. Furthermore, a total of 63 non-agency issues were identified which mostly related to data corrections.

#### 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

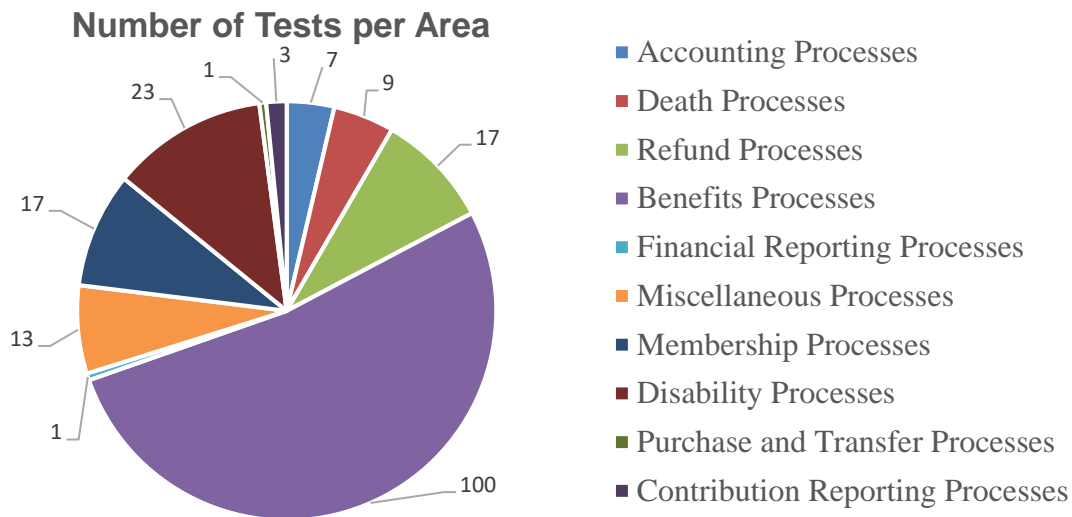
Sen. Barrow Peacock  
Rep. Kevin Pearson  
Lori Pierce  
Hon. John Schroder  
Lorry Simmons Trotter

Cindy Rougeou, Executive Director

<b>Agency Number and Name</b>	<b>Number of Membership Related Issues</b>	<b>Number of Rehire Retiree Related Issues</b>	<b>Number of Retiree Leave Related Issues</b>	<b>Total Number of Issues</b>
022 Division of Administration Office of Human Resources			2	2
024 Louisiana Department of Revenue			1	1
036 Louisiana Military Department	2			2
053 Department of Corrections	1			1
058 LSU Medical Center Health Care Services Division			1	1
067 Department of Education	1			1
097 Office for Citizen with Disabilities			1	1
109 Florida Parishes Human Services Authority			1	1
119 Louisiana Community and Technical College System			1	1
237 Bossier Parish Community College	1			1
320 Department of Children and Family Services			4	4
520 Louisiana State University	1			1
521 LSU Health Sciences Center - New Orleans	6			6
540 Louisiana Workforce Commission	2	1		3
550 Department of Veterans Affairs	1			1
650 Orleans Levee District - Flood Division	1			1
700 Department of Transportation and Development			2	2
<b>Totals</b>	16	1	13	30

## **1903 Continuous Auditing**

The continuous auditing project approach primarily consists of using automated testing techniques to review and analyze various processes at LASERS on a continual basis throughout the fiscal year. A couple of benefits to this approach are that it allows for confirmation that controls in place continue to function as intended and for a more timely identification of possible issues. The automated testing is performed at different intervals (i.e., daily, monthly, quarterly, annually) depending on the type of test, the area being tested, and the potential impact of the risk to LASERS. Issues identified are reviewed for validity and then provided to LASERS staff for verification and correction, when necessary. The following graphic is a breakdown of the 191 tests performed by the area tested and the number of tests in each area. For a description of the tests performed in each area, please see Appendix A.



In addition, 35 new testing scripts were developed this fiscal year in the areas of benefits, contribution reporting, death, disability, and miscellaneous processes.

### **IRS FORM 1099-R TESTING FOR CALENDAR YEAR 2018**

This project included a review of the 1099-R forms issued by LASERS for the 2018 tax year. Forms issued by Empower Retirement were not tested. The overall process to generate the 1099-R data and forms is adequate. The 1099-R forms were mailed to benefit recipients prior to the January 31<sup>st</sup> deadline. Six discrepancies were identified and the associated details are as follows:

- Five 1099-R forms contained an incorrect distribution code. Fiscal updated the distribution code and issued a corrected 1099-R form to each of these individuals.
- One 1099-R form contained an incorrect gross amount. Fiscal will recalculate the gross amount and issue a corrected 1099-R form to this individual.

### **REQUIRED MINIMUM DISTRIBUTION (RMD) TESTING FOR CALENDAR YEAR 2018**

This project included a review of the RMDs processed by LASERS for 2018. The overall process to generate RMDs is adequate. Three discrepancies were identified and the associated details are as follows:

- One individual was issued a RMD which was \$1,643.84 above the minimum required amount. Fiscal contacted the individual and gave them the option to return the funds and receive a corrected 1099-R for 2018 or keep the funds and have the transaction appear on their 2019 1099-R form. The individual chose to keep the funds and take no further action.
- Two individuals did not receive their 2018 RMD and should have. Fiscal has since issued the 2018 RMD to these two individuals.

### **AUTOMATED QUERIES OF VARIOUS PROCESSES FOR FISCAL YEAR END 2019**

The automated queries performed during FYE 2019 identified the following:

- Approximately \$62,788.96 of overpayments due to various reasons of which \$5,539.28 has been collected as of the fiscal year end.

- Approximately 2,286 records contained issues which required follow-up corrective action.

The following graphic is a breakdown of corrections by the area tested and the number of corrections for each area.

<b>Number of Data Corrections per Area</b>		
<b>Process Area</b>	<b>Issues Identified</b>	<b>Percentage of Total Issues Identified</b>
Disability Processes	73	3.19%
Benefits Processes	1973	86.31%
Miscellaneous Processes	5	0.22%
Membership Processes	217	9.49%
Accounting Processes	13	0.57%
Refund Processes	5	0.22%
<b>Grand Total</b>	<b>2286</b>	<b>100.00%</b>

## **1910 Funding Actuarial File Layout Update Project**

During fiscal year end (FYE) 2019, a multi-year project was started to evaluate proposed changes to the annual funding actuarial data file layout and implement agreed upon changes. The primary divisions initially included on the project team are Member Services, IT, and Audit Services.

Audit Services performed the following activities during FYE 2019:

- Participated in meetings and discussions related to the initial planning of this project.
- Reviewed the preliminary project documentation that defines the project scope and requirements.
- Reviewed the preliminary reporting requirements related to Phase 1.

The original logic and approach used to derive the information included on the funding actuarial data file was developed in 2006. The logic has undergone various revisions in an attempt to align with updates made to SOLARIS and business processes. The current logic and process has become cumbersome and difficult to maintain; therefore, Phase 1 of this project will consist of simplifying the logic and approach. This will allow for any recommended file layout changes to be performed more efficiently and effectively.

All outstanding items related to this project as of June 30, 2019 will be transferred to the FYE 2020 version of this project.

## **1928 Vista Equity Partners (Vista) (External Review)**

This was a planned engagement on the fiscal year end 2019 Audit Plan. The fieldwork for this engagement was completed on July 26, 2019.

LASERS has utilized the services of Vista since July of 2011. As of June 2019, Vista manages approximately \$175 million in a private equity strategy on behalf of LASERS.

Vista appears to fulfill their contractual and fiduciary duties to LASERS. The reviewed policies, procedures, and controls that Vista has put in place are effective.

This review included a site visit to Vista's Oakland office. LASERS audit staff interacted with various members of the Vista team and all personnel were professional and courteous. They fulfilled all requests for information related to LASERS investments and coordinated meetings with all key personnel during the site visit.

There were no reportable issues identified during this review.

## **1988 Summary of Fraud Tips (External Review)**

The LASERS fraud policy contains details regarding the reporting and investigation of potential fraud affecting LASERS. The Audit Services Division has been designated as the primary point of contact for handling these matters at LASERS. After a tip has been received, a case file is established and the details are discussed with LASERS Executive Counsel. Based on the details of the case, appropriate action is taken. During this fiscal year, twelve tips were received via the LASERS fraud hotline or other sources and the summary details of the individual cases are outlined below.

### **#1901: (CLOSED)**

An electronic fraud reporting form submission was received from an individual who noted that someone was "claiming their business". It was determined that this individual was not a LASERS member and their claim did not pertain to LASERS; therefore, this item was closed.

### **#1902: (OPEN)**

Fiscal notified Audit Services of a situation where an individual continued to receive benefit payments for a retiree that had been deceased for several years. This item was sent to the Attorney General's office. According to the investigator assigned to this case, a suspect has been identified and subpoenas have been issued. The investigation remains open.

### **#1903: (CLOSED)**

Electronic fraud reporting form submissions were received from a refunded member and their spouse. After contacting the member, they claimed that they were due a LASERS benefit and beneficiary payments for both of their parents. It was determined that the member refunded all contributions and credit, so they were not due a benefit. Also, the member's parents were not LASERS members, so they were not due beneficiary payments. Therefore, based on this information, this item was closed.

### **#1904: (CLOSED)**

A call was received on the fraud hotline from an individual who claimed to be a survivor payee's aunt. The caller claimed that an individual was stealing the benefits out of the survivor payee's account. They also claimed the individual forged the signature of the survivor's tutor when the survivor payee was set up. Member Services reviewed the documents that were received and determined that the account was set up properly and all procedures were followed. It was determined that although the survivor payee may have been defrauded, LASERS was not. The survivor payee's tutor was called and informed of the allegations, provided the information needed to change the direct deposit, and provided contact information for the local authorities to pursue further at their discretion. All of the necessary action required by LASERS has been taken; therefore, this item was closed.

**#1905: (CLOSED)**

A call was received on the fraud hotline from an individual who claimed that someone was collecting a benefit that they were not due. Upon investigation, it was determined that the individual was a beneficiary that was receiving a benefit that was due and no evidence of fraud existed; therefore, this item was closed.

**#1906: (OPEN)**

LASERS received notification from JP Morgan Chase Bank regarding multiple unsuccessful attempts to cash fraudulently forged checks. The checks, in most cases, did closely resemble those produced by LASERS. Despite these attempts, no funds were lost by LASERS in these instances because of controls used by our bank to determine the validity of a check before issuing payment and they were identified as fraudulent. Audit Services provided the details of this case to the Attorney General's office for investigation. They have opened a case and are in the process of performing an investigation. The investigation remains open. JP Morgan has not notified LASERS of any additional cases like this situation since mid-April 2019.

**#1907: (CLOSED)**

A call was received on the main LASERS phone line from a family member of a LASERS member, who stated that the member's checks had been fraudulently cashed by someone else. After a review of several months of cashed checks, it appeared that the checks were all cashed with the same signature and the checks were being mailed to the same place since the member retired. The LASERS member became deceased a few days after the family member called. The caller stated that they would obtain a lawyer to pursue this further on behalf of their family member. It was determined that although the member may have been defrauded, LASERS was not. Therefore, this item was closed.

**#1908: (CLOSED)**

An electronic fraud reporting form submission was received stating that a deceased member's children fraudulently filed for retirement on behalf of the deceased member. Upon investigation, it was determined that although an application was received, it was voided and not processed. Since the member became deceased while in active service, benefits would only be due to any eligible survivor(s), which, in this case, would be the spouse. No evidence of fraud was identified; therefore, this item was closed.

**#1909: (CLOSED)**

A call was received from a member who indicated that a LASERS employee called them and stated that their DROP Withdrawal form had been placed in another member's file. The caller requested that their file be reviewed to ensure that no other members had access to their DROP account. Upon further investigation, it was determined that the member put the incorrect social security number on the form which seems to have caused the improper placement. No payments were made to an incorrect member and a DROP statement was mailed to the member as confirmation. No evidence of fraud was identified; therefore, this item was closed.

**#1910: (CLOSED)**

A call was received from an individual claiming that a disability retiree was not actually disabled. After reviewing this individual's file and contacting their doctor to verify that all forms were completed and signed by the physician, no evidence of fraud was identified; therefore, this item was closed.

**#1911: (CLOSED)**

An electronic fraud reporting form submission was received by an individual requesting a review of a check and property that they were given. After investigation, it was determined that neither of the individuals involved were LASERS members; therefore, this item was closed.

**#1912: (CLOSED)**

A member and their family members contacted LASERS regarding the bank account where the member's check was being electronically deposited. The family was unaware of where the member's benefit was being deposited. There was no evidence found that the direct deposit form was fraudulent. The member has since submitted a request to update their EFT information. It was determined that the member may have been defrauded, but LASERS was not. Therefore, this item was closed.

**2003 Department of Natural Resources (DNR) (External Review)**

This was a planned engagement on the fiscal year end 2019 Audit Plan. The fieldwork for this engagement was completed on July 9, 2019. DNR employs approximately 260 LASERS members. No reportable issues were identified during this review.

**2007 Department of Environmental Quality (DEQ) (External Review)**

This was a planned engagement on the fiscal year end 2019 Audit Plan. The fieldwork for this engagement was completed on August 9, 2019. DEQ employs approximately 657 LASERS members. No reportable issues were identified during this review.



**NOTICE AND AGENDA  
Investment Committee Meeting  
Thursday, September 26, 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 August 22, 2019, meeting of the Investment Committee  
**(Action Item)**

*Beverly Hodges, Chair*

**V. NEW BUSINESS**

1. Vendor Selection Process – Private Markets Mandate **(Action Item)**  
*Bobby Beale, CFA, CAIA – Chief Investment Officer*  
*Laney Sanders, CFA, CAIA – Assistant Chief Investment Officer*
2. Private Market Discussion and Recommendation – KPS Special Situations Fund V and KPS Special Situations Mid-Cap Fund **(Action Item)**  
*Bobby Beale, CFA, CAIA – Chief Investment Officer*  
*Laney Sanders, CFA, CAIA – Assistant Chief Investment Officer*
3. 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  
August 22, 2019**

The Investment Committee of the Louisiana State Employees' Retirement System met on Thursday, August 22, 2019, in the fourth floor Board Room of the Retirement Systems building, 8401 United Plaza Boulevard, Baton Rouge, Louisiana.

Ms. Beverly Hodges, Committee Chair, called the meeting to order at 1:00 p.m. Ms. Jennifer Adams, recording secretary, conducted roll call.

\*\*\*\*\*

**ROLL CALL**

Members present: Mr. Thomas Bickham; Ms. Virginia Burton; Ms. Beverly Hodges; Mr. John Broussard, Designee – Louisiana State Treasurer\*; Mr. Rick McGimsey, Designee – Commissioner of Administration; Judge William Kleinpeter; Ms. Lorry Trotter; Ms. Shannon Templet; Ms. Lori Pierce and Ms. Barbara McManus

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

Staff present: Ms. Cindy Rougeou, Executive Director; Ms. Maris LeBlanc, Deputy Director & Chief Operating Officer; Mr. Trey Boudreaux, Chief Administrative Officer; Ms. Tina Vicari Grant, Executive Counsel; Mr. Bobby Beale, Chief Investment Officer; Ms. Jennifer Adams, recording secretary; Investment Staff: Ms. Laney Sanders, Mr. Darren Fournierat, Ms. Celeste Funderburk, Mr. Jacques Brousseau, Mr. Reeves Pearce, and Ms. Alisa Lacombe.

Also Present: Mr. Rhett Humphreys, NEPC, LLC and Mr. David Barnes, NEPC, LLC

*\*Mr. Broussard arrived at 1:28pm*

\*\*\*\*\*

## **PUBLIC COMMENT**

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 July 25, 2019, Investment Committee meeting. **Mr. Bickham moved seconded by Ms. McManus, to approve the minutes of the July 25, 2019, Investment Committee meeting. With no further discussion, and no objections, the motion carried.**

## **NEW BUSINESS**

Investment Grade Fixed Income Portfolio Review:

- Mr. Christopher Lazzaro – Vice President, Relationship Manager and Mr. Richard Raczowski – EVP, Portfolio Manager appeared for Loomis, Sayles and Company.
- Ms. Emily Becker – President/Senior Fixed Income Manager, Mr. Gary Welchel – EVP, Business Development and Ms. Phyllis Kyle – Trader and Portfolio Manager appeared for Orleans Capital.

Investment Grade Fixed Income Contract Discussion

Mr. Beale and Mr. Barnes advised the committee that the contracts for Loomis, Sayles and Company and Orleans Capital expire in December 2019. Mr. Barnes reviewed the performance of both managers and stated that NEPC recommends extending both contracts. **Ms. McManus moved, seconded by Mr. Bickham, to extend the Investment Grade Fixed Income contracts for Loomis, Sayles and Company and Orleans Capital for another five years. With no further discussion, and no objections, the motion carried.**

Monthly Performance Review

Mr. Beale presented the performance review, stating that, the final fiscal year end return for June 30, 2019, is 4.4%. He also reviewed 2Q2019 and stated that the preliminary return for July 31, 2019, was 0.2%.

Mr. Beale then gave an overview of LASERS Fixed Income allocation as of June 30, 2019.

\*\*\*\*\*

## **OTHER BUSINESS**

With no other business brought before the committee, the meeting adjourned at 2:40 p.m.



# LASERS INVESTMENT COMMITTEE

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## 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 Class Discussion

### AUGUST 22

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

### SEPTEMBER 26

- Monthly Performance Review
- Private Market Discussion and Recommendation**

### 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**  
**Management Committee Meeting**  
**Thursday, September 26, 2019**  
***Immediately following Investment 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 August 22, 2019, Management Committee Meeting (**Action Item**)

*Barbara McManus, Management Committee Chair*

2. Executive Counsel's Report

*Tina Grant, Executive Counsel*

**V. NEW BUSINESS**

1. Member Satisfaction Survey Results

*Tricia Gibbons, Retirement Benefits Administrator*

2. Presentation of Actuarial Report for June 30, 2019 (**Educational & Action Item**)

*Shelley Johnson, Foster & Foster*

3. Review of Draft Operating Budget for FY 2020-21

*Trey Boudreaux, Chief Administrative Officer*

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*

7. **Executive Session**

- a. Review of the September 2019 Disability Retirement Report (**Action Item**)  
*Carlos Jones, Retirement Benefits Supervisor*
- b. Director's Evaluation of Unclassified Staff  
*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  
August 22, 2019**

The Management Committee of the Louisiana State Employees' Retirement System met on Thursday, August 22, 2019, in the fourth floor conference room of the Retirement Systems Building located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana.

Barbara McManus, Committee Chair, called the meeting to order at 2:44 p.m. Roll was called by Amanda Celestine, recording secretary.

\*\*\*\*\*

Members Present: Mr. Thomas Bickham, Ms. Virginia Burton, Ms. Beverly Hodges, Judge William Kleinpeter, Mr. John Broussard (designee of the Treasurer), 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, 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; Ms. Tonja Normand; Public Information Director; Mr. Dan Bowden, IT Director; Mr. Steve Stark, Deputy General Counsel; Mr. Ryan Babin, Audit Director; Ms. Jennifer Adams, Investments Executive Assistant; Ms. Amanda Celestine, recording secretary

Also Present: Ms. Shelley Johnson, Foster & Foster

\*\*\*\*\*

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

**PUBLIC COMMENT**

Ms. McManus called for public comment. There were no public comments.

**REGULAR BUSINESS**

Ms. McManus called for approval of the minutes of the July 25, 2019, Management Committee meeting. **Mr. Bickham moved, seconded by Ms. Templet, to approve the minutes. With no objection or discussion, the motion carried.**

In the Executive Counsel's report, Ms. Grant reported that LASERS was served with one new lawsuit.

### **NEW BUSINESS**

Mr. Stark presented proposed administrative rule amendments to Chapters 13, 15, 19 and 25. **Ms. Templet moved, seconded by Judge Kleinpeter, to approve the administrative rule amendments as presented. With no objection or discussion, the motion carried.**

Ms. Gibbons reviewed the annual administrative errors summary report. She commented that the number of administrative errors was 37; compared to 41 for last year.

Mr. Boudreaux reviewed the proposed 2020 Board meeting schedule. The proposed date for May was amended to May 21 & 22. The proposed date for September was amended to September 29 & 30. **Ms. Templet moved, seconded by Mr. Bickham, to recommend the Board approve the amended 2020 board meeting schedule. With no objection or discussion, the motion carried.**

Mr. Boudreaux reviewed the Chief Administrative Officer's comments. Ms. McManus asked that the Cybersecurity Newsletter be emailed to the Board of Trustees. Ms. Hodges recommended also putting information relevant to members on cyber security in the *Beam*.

Ms. LeBlanc reviewed the Deputy Director and Chief Operating Officer's comments.

Ms. Rougeou reviewed the Executive Director's comments.

**Judge Kleinpeter moved, seconded by Ms. Trotter, to recommend the Board approve the August 2019 Retirement Disability Report. With no objection or discussion, the motion carried.**

**Judge Kleinpeter moved, seconded by Ms. Templet, to go into Executive Session for the purposing of reviewing the Executive Director's Performance Evaluation and Goals for FY 2019-20. With no objection or discussion, the motion carried.**

**Judge Kleinpeter moved, seconded by Ms. Templet, to return to Regular Session. With no objection or discussion, the motion carried.**

**Judge Kleinpeter moved, seconded by Ms. Trotter, to recommend the Board accept the annual evaluation and proposed goals of the Executive Director, to be implemented as discussed, as certified by the Chair of the Management Committee. With no objection or discussion, the motion carried.**

### **OTHER BUSINESS**

There was no other business to discuss.

### **ADJOURNMENT**

The meeting adjourned at 4:05 p.m.

**First Half of 2019**  
(January - June)

**Member Services Statistics**

**Comment Cards for In-House Counseling**

(for visitors with and without scheduled appointments)

Overall Satisfaction	Poor	Fair	Average	Good	Excellent	Total	% Excellent Received
Quality of Service	0	0	0	10	293	303	97%

**Sample of Comments:**

- *"The information I was concerned about was very clearly explained to me. Great Customer Service!"*
- *"Keep Adrian [Ackermann] he is a very good advisor and listener."*
- *"Wendy [Demouy] seemed to have an almost perfect personalized presentation of information. This helped me make better decisions as to the "when" question. Thanks Wendy!"*

**First Half of 2019**  
(January – June)

**Member Services Statistics**

**Comment Cards for Educational Outreach**

Overall Satisfaction	Poor	Fair	Average	Good	Excellent	Total	% Excellent Received
Content/Quality of Workshop	0	0	1	69	513	583	89%
Comfort of Facility	0	0	1	17	124	142	88%
Audio Visual & Handouts	0	0	2	13	127	139	91%

**How were you notified of this workshop?**

BEAM	Liaison Memo	Agency Digest	Website	Other
35	1	99	74	101

**Sample of Comments:**

- *“I love the MINT [Millennials Investing Now for Tomorrow] emails. I learned a lot at this workshop [Early Career].”*
- *“Very informative meeting. I am glad I attended. All speakers were very knowledgeable in their field.”*
- *“Learned a lot from the presentation! Helped me plan for future.”*

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

### **Fiscal Division**

- Fiscal staff worked with Postlethwaite & Netterville in completing the audit of LASERS financials for fiscal year ended 2019.
- Fiscal staff has begun preparation for the fiscal year 2019 CAFR and PAFR. These reports are scheduled to be presented to the Board at the October Board Meeting.
- Fiscal staff has begun preparing the Fiscal Year 2020/2021 Operating Budget. A draft of the Operating Budget will be distributed to the Management Committee at the September meeting with final approval at the October meeting.

### **Information Technology Division**

- The LASERS Optimus Project (Phase 3) continues. LASERS IT staff and Cognizant staff continue to move this project close to completion.
- The Optimus Mobile App (version 1.0) has been approved by LASERS for release to production.
- The Optimus MyLASERS member portal has received a new look and updated design to better match the LASERS website.
- The Office 365 Email Project is currently in Phase 3. Phase 3 converts several live clients (IT & Investments) to O365 for UAT (User Acceptance Testing).
- The AskLASERS Project is now underway. This Project is in the discovery phase.
- The IT Service Desk reports an on-time delivery of IT services of 98.44% of SLA for August 2019.
- There were no unusual or noteworthy data security incidents for August 2019.
- The August IT Cybersecurity newsletter discussed tips on creating and maintaining strong passwords.
- IT is actively searching for staff to fill three vacancies.
- IT is currently writing a detailed Data Security Incident Response Plan as well as a Business Continuity Risk Assessment Report.
- LASERS Website top three search words or phrases for August 2019 were 1. Drop, 2. Contribution Rates, 3. Calculator.





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

August 31, 2019

(Unaudited)

Category	2018-2019 Actual	2019-2020 Budget	Monthly Expenses	2019-2020 YTD Actual	Remaining Balance	2019-20 % of Budget	2018-19 % of Actual
Personnel	\$ 14,756,369	\$ 15,908,800	\$ 1,130,546	\$ 2,294,574	\$ 13,614,226	14%	14%
Travel Expenses	177,581	181,000	20,199	49,285	131,715	27%	30%
Operating Services	2,883,360	3,314,200	250,685	1,500,331	1,813,869	45%	50%
Professional Services	520,328	627,000	57,164	73,114	553,886	12%	6%
Acquisitions	201,629	228,000	1,165	1,165	226,835	1%	5%
<b>TOTAL</b>	<b>18,539,267</b>	<b>20,259,000</b>	<b>1,459,760</b>	<b>3,918,468</b>	<b>16,340,532</b>	<b>19%</b>	<b>20%</b>
Investment Fees	32,033,869	36,000,000	2,899,553	5,984,598	30,015,402	17%	17%
<b>GRAND TOTAL</b>	<b>\$ 50,573,136</b>	<b>\$ 56,259,000</b>	<b>\$ 4,359,313</b>	<b>\$ 9,903,067</b>	<b>\$ 46,355,933</b>	<b>18%</b>	<b>18%</b>

### CAPITAL OUTLAY BUDGET REPORT

August 31, 2019

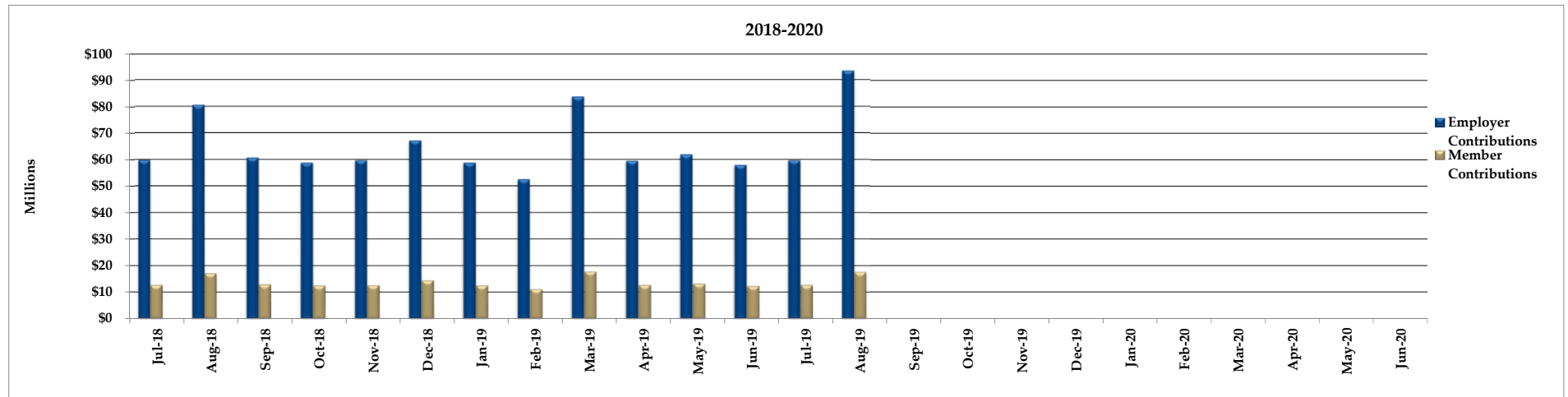
(Unaudited)

Category	Total Project Budget	2014-2019 LTD Actual	2019-2020 YTD Actual	Total Project Expenses	Remaining Balance	% of Budget Used
Operating Services	\$ 210,278	\$ 142,278	\$ 24,149	\$ 166,427	\$ 43,851	79%
Professional Services	4,464,229	3,954,380	\$ 17,572	3,971,952	492,277	89%
Acquisitions	674,944	669,944	-	669,944	5,000	99%
<b>GRAND TOTAL</b>	<b>\$ 5,349,451</b>	<b>\$ 4,766,602</b>	<b>\$ 41,721</b>	<b>\$ 4,808,323</b>	<b>\$ 541,128</b>	<b>90%</b>

**Pension Contributions**  
Fiscal Years 2018-2019 and 2019-2020 thru August 31, 2019

FYE 2018-2019					FYE 2019-2020				
Month	Members	Employer Contributions	Member Contributions	Total	Month	Members	Employer Contributions	Member Contributions	Total
Jul-18	38,838	\$59,697,518	\$12,584,945	\$72,282,463	Jul-19	39,248	\$59,563,412	\$12,564,327	\$72,127,739
Aug-18	38,777	\$80,467,128	\$16,937,413	\$97,404,541	Aug-19	39,248 *	\$93,393,627	\$17,490,255	\$110,883,882
Sep-18	39,358	\$60,612,431	\$12,804,449	\$73,416,880	Sep-19				\$0
Oct-18	39,691	\$58,649,070	\$12,403,095	\$71,052,165	Oct-19				\$0
Nov-18	39,176	\$59,545,792	\$12,522,208	\$72,068,000	Nov-19				\$0
Dec-18	39,149	\$66,995,478	\$14,303,812	\$81,299,290	Dec-19				\$0
Jan-19	39,591	\$58,663,671	\$12,387,895	\$71,051,566	Jan-20				\$0
Feb-19	39,442	\$52,447,079	\$10,955,798	\$63,402,877	Feb-20				\$0
Mar-19	39,754	\$83,591,435	\$17,621,815	\$101,213,250	Mar-20				\$0
Apr-19	39,524	\$59,350,208	\$12,549,448	\$71,899,656	Apr-20				\$0
May-19	39,894	\$61,794,183	\$13,052,550	\$74,846,733	May-20				\$0
Jun-19	39,602	\$57,811,900	\$12,215,128	\$70,027,028	Jun-20				\$0

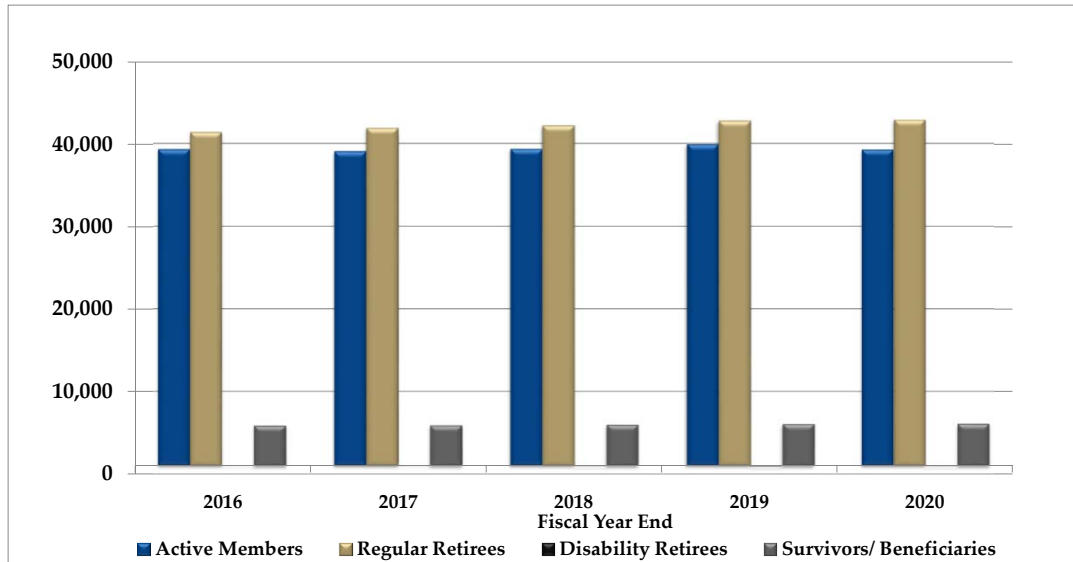
NOTE: Contributions based on estimates (August 2019 based on July 2019).



**LASERS Membership**  
For Five Years as of August 31, 2019

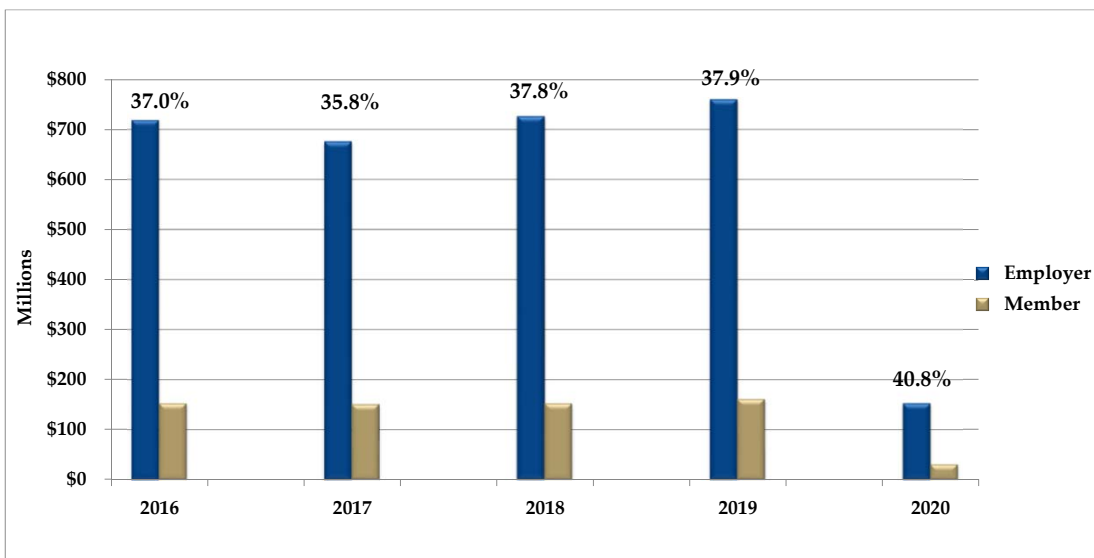
Fiscal Year	Active Members	Regular Retirees	Disability Retirees	Survivors/ Beneficiaries	Total Members**
2016	39,284	41,356	1,043	5,802	87,485
2017	39,055	41,818	989	5,872	87,734
2018	39,293	42,136	930	5,940	88,299
2019	39,894	42,747	899	6,006	89,546
2020	39,248	42,857	908	6,066	89,079

Note: \*Counts for FY2019 - FY2020 are an approx. not based on actuarial data. \*\*Total Members does not include DROP, Terminated Vested/Non-Vested



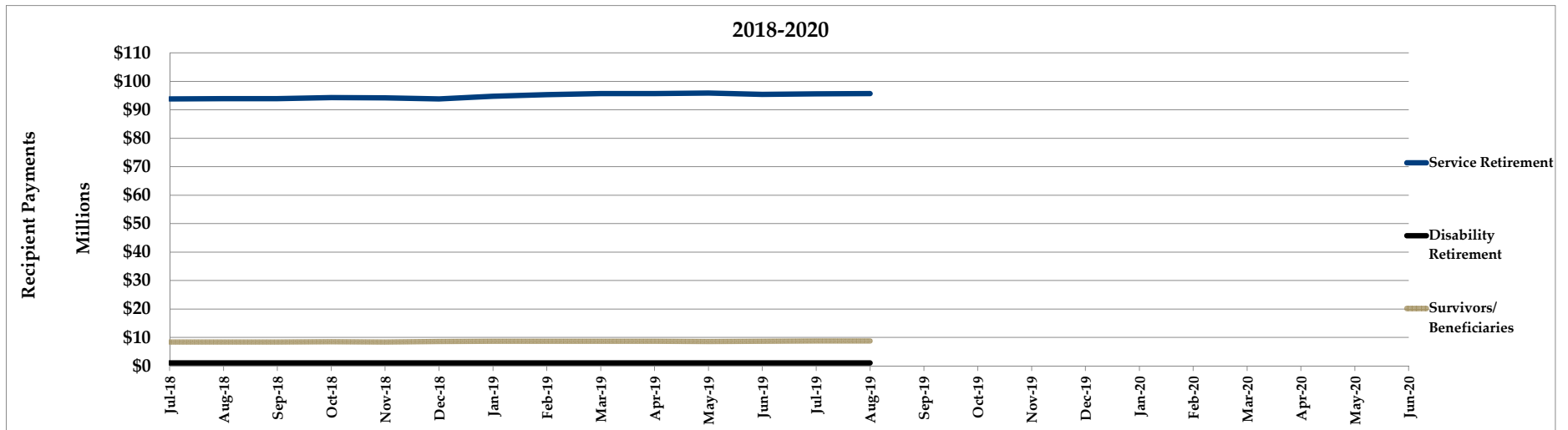
**Pension Contributions**  
For Five Years as of August 31, 2019

	2016	2017	2018	2019	2020
Employer	\$718,606,512	\$675,583,750	\$725,802,871	\$759,625,894	\$152,957,039
Member	\$152,233,771	\$149,931,242	\$152,189,709	\$160,338,556	\$30,054,582
Total	\$870,840,283	\$825,514,992	\$877,992,580	\$919,964,450	\$183,011,621



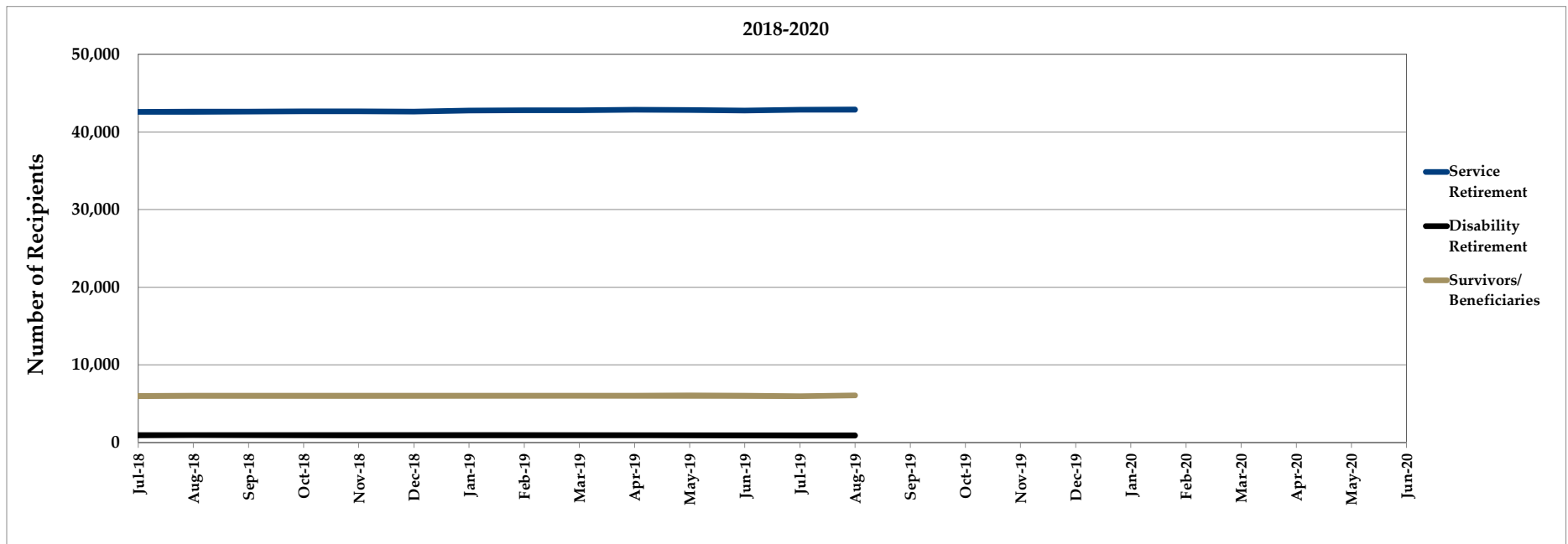
**Service/Disability/Survivor/Beneficiary Payments**  
**Fiscal Years 2018-2019 and 2019-2020 through August 31, 2019**

FYE 2018-2019					FYE 2019-2020				
Month	Service Retirement	Disability Retirement	Survivors/Beneficiaries	Total	Month	Service Retirement	Disability Retirement	Survivors/Beneficiaries	Total
Jul-18	\$93,817,919	\$1,047,654	\$8,368,838	\$103,234,411	Jul-19	\$95,548,476	\$996,959	\$8,763,441	\$105,308,876
Aug-18	\$93,856,315	\$1,036,266	\$8,383,105	\$103,275,686	Aug-19	\$95,699,115	\$999,560	\$8,780,065	\$105,478,740
Sep-18	\$93,868,347	\$1,026,732	\$8,380,266	\$103,275,345	Sep-19				\$0
Oct-18	\$94,238,338	\$1,031,994	\$8,408,210	\$103,678,542	Oct-19				\$0
Nov-18	\$94,150,057	\$1,029,211	\$8,370,250	\$103,549,518	Nov-19				\$0
Dec-18	\$93,831,806	\$1,018,525	\$8,520,606	\$103,370,937	Dec-19				\$0
Jan-19	\$94,702,261	\$1,067,652	\$8,671,143	\$104,441,056	Jan-20				\$0
Feb-19	\$95,334,582	\$1,022,272	\$8,634,112	\$104,990,966	Feb-20				\$0
Mar-19	\$95,619,631	\$1,004,948	\$8,592,105	\$105,216,684	Mar-20				\$0
Apr-19	\$95,649,025	\$1,002,678	\$8,606,800	\$105,258,503	Apr-20				\$0
May-19	\$95,876,270	\$1,020,943	\$8,548,704	\$105,445,917	May-20				\$0
Jun-19	\$95,410,364	\$995,747	\$8,605,537	\$105,011,648	Jun-20				\$0



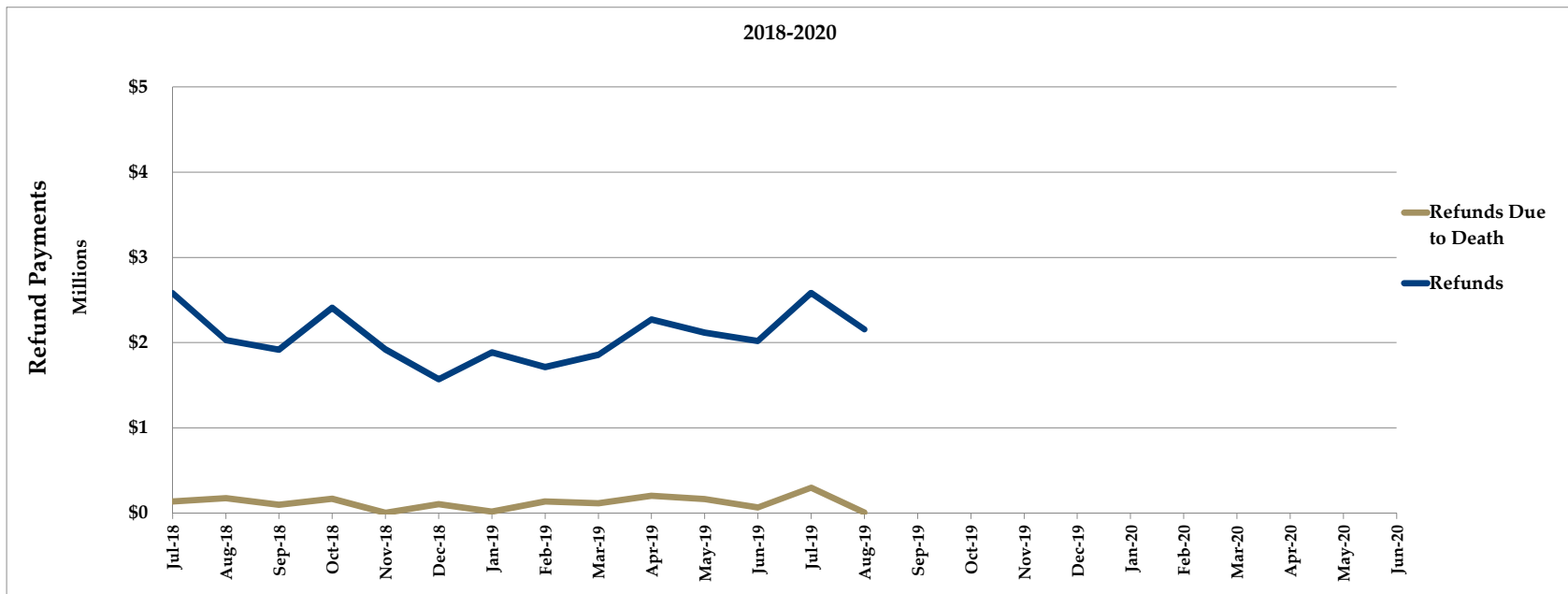
**Service/Disability/Survivor/Beneficiary Recipients**  
**Fiscal Years 2018-2019 and 2019-2020 through August 31, 2019**

FYE 2018-2019					FYE 2019-2020				
Month	Service Retirement	Disability Retirement	Survivors/Beneficiaries	Total	Month	Service Retirement	Disability Retirement	Survivors/Beneficiaries	Total
Jul-18	42,586	941	5,985	49,512	Jul-19	42,847	903	5,964	49,714
Aug-18	42,585	943	5,995	49,523	Aug-19	42,857	908	6,066	49,831
Sep-18	42,609	935	5,997	49,541	Sep-19				
Oct-18	42,642	941	6,013	49,596	Oct-19				
Nov-18	42,640	937	6,001	49,578	Nov-19				
Dec-18	42,612	936	6,004	49,552	Dec-19				
Jan-19	42,736	927	5,998	49,661	Jan-20				
Feb-19	42,770	927	5,998	49,695	Feb-20				
Mar-19	42,783	917	5,992	49,692	Mar-20				
Apr-19	42,854	912	6,015	49,781	Apr-20				
May-19	42,821	910	6,022	49,753	May-20				
Jun-19	42,747	899	6,006	49,652	Jun-20				



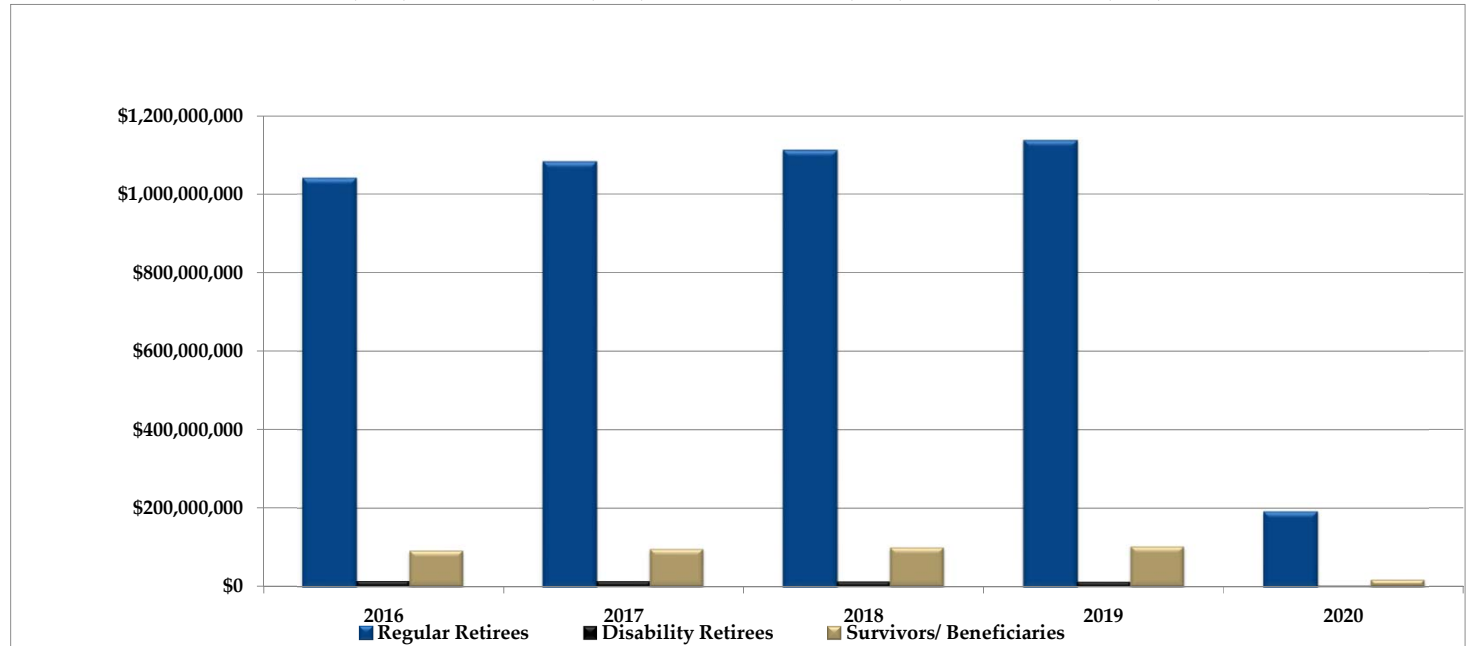
**Refund Payments**  
**Fiscal Years 2018-2019 and 2019-2020 through August 31, 2019**

FYE 2018-2019				FYE 2019-2020			
Refunds Due to				Refunds Due to			
Month	Refunds	Death	Total	Month	Refunds	Death	Total
Jul-18	\$2,581,102	\$137,294	\$2,718,396	Jul-19	\$2,582,594	\$298,148	\$2,880,742
Aug-18	\$2,031,015	\$176,107	\$2,207,122	Aug-19	\$2,154,839	\$6,973	\$2,161,812
Sep-18	\$1,916,834	\$98,733	\$2,015,567	Sep-19			
Oct-18	\$2,409,001	\$169,761	\$2,578,762	Oct-19			
Nov-18	\$1,920,568	\$3,330	\$1,923,898	Nov-19			
Dec-18	\$1,570,374	\$106,023	\$1,676,397	Dec-19			
Jan-19	\$1,885,826	\$18,227	\$1,904,053	Jan-20			
Feb-19	\$1,712,708	\$137,754	\$1,850,462	Feb-20			
Mar-19	\$1,856,241	\$114,140	\$1,970,381	Mar-20			
Apr-19	\$2,272,103	\$202,644	\$2,474,747	Apr-20			
May-19	\$2,117,440	\$165,630	\$2,283,070	May-20			
Jun-19	\$2,019,368	\$67,577	\$2,086,945	Jun-20			



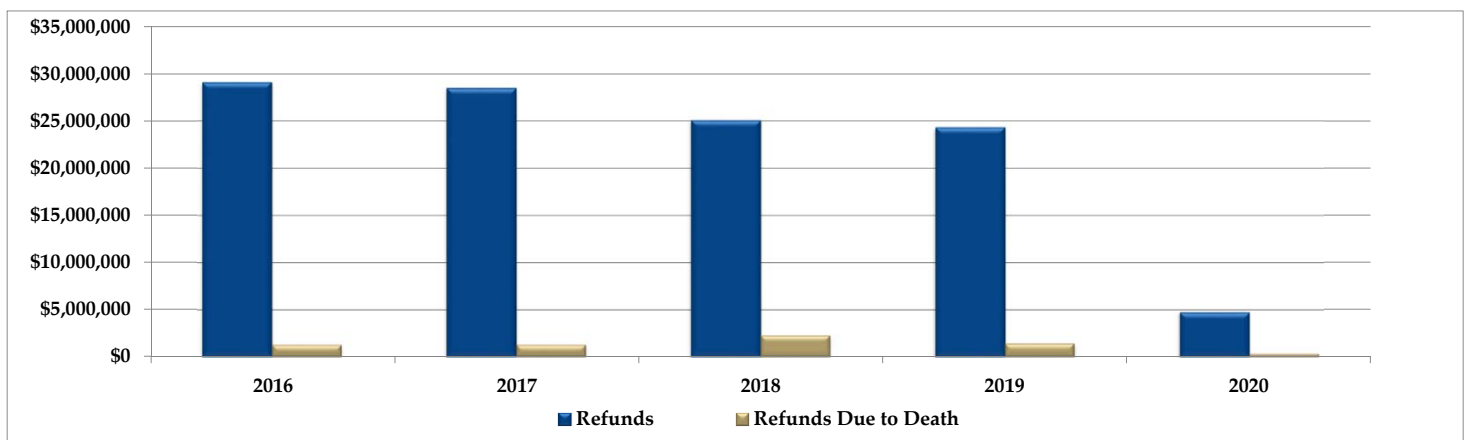
**Benefit Payments for 5 years**  
**For Five Years as of August 31, 2019**

Fiscal Year	Regular Retirees	Disability Retirees	Survivors/ Beneficiaries	Total Payments
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	\$1,136,354,915	\$12,304,622	\$102,089,676	\$1,250,749,213
2020	\$191,247,591	\$1,996,519	\$17,543,506	\$210,787,616



**Refund Payments for 5 years**  
**For Five Years as of August 31, 2019**

Fiscal Year	Refunds	Refunds Due to Death	Total Payments
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	\$24,286,619	\$1,397,220	\$25,689,799
2020	\$4,737,433	\$305,121	\$5,042,554





**DROP and ORP Report  
As of August 31, 2019**

<b>DROP</b>	<b>Current Month Count</b>	<b>Balance</b>	<b>Quarter Ending 06/30/2019 Count</b>	<b>Balance</b>	<b>Quarter Ending 03/31/2019 Count</b>	<b>Balance</b>
<b>Traditional (At LASERS)</b>						
Accruing HARP	4	\$399,188	4	\$371,120	5	\$519,123
Working After DROP	104	\$21,191,546	107	\$21,915,874	111	\$22,462,088
Retired After DROP	2,766	\$353,643,514	2,786	\$356,313,028	2,815	\$360,940,151
Retired-IBO	161	\$20,813,440	162	\$20,895,829	163	\$20,950,694
<b>Total Traditional</b>	<b>3,155</b>	<b>\$396,047,688</b>	<b>3,155</b>	<b>\$399,495,851</b>	<b>3,155</b>	<b>\$404,872,056</b>
<b>Self-Directed</b>						
Accruing (At LASERS)	1,359	\$65,419,378	1,337	\$65,559,532	1,344	\$66,056,265
Working After DROP, Retired & IBO (Empower)	7,322	\$581,781,751	7,321	\$580,879,357	7,307	\$573,639,506
<b>Total Self-Directed</b>	<b>8,681</b>	<b>\$647,201,129</b>	<b>8,658</b>	<b>\$646,438,889</b>	<b>8,651</b>	<b>\$639,695,771</b>
<b>TOTALS</b>	<b>11,836</b>	<b>\$1,043,248,817</b>	<b>11,813</b>	<b>\$1,045,934,740</b>	<b>11,806</b>	<b>\$1,044,567,827</b>
<b>ORP</b>						
Working & Inactive (Empower)	45	\$5,234,435	47	\$5,481,602	48	\$5,322,511



**Board of Trustees**  
**Benefit Payees Added During Period**  
**08/01/2019 - 08/31/2019**

**Regular**

Under Age 55 at Retirement	14
Age 55-59 at Retirement	31
Age 60+ at Retirement	79
Total	124
Minimum Benefit	\$346
Maximum Benefit	\$11,953
Minimum Age	45
Maximum Age	75
Minimum Years Service	5
Maximum Years Service	40
Average Age	60
Average Service	23
Average Gross Benefit	\$2,641

**Disability**

Total	4
Minimum Benefit	\$587
Maximum Benefit	\$2,288
Minimum Age	42
Maximum Age	58
Minimum Years Service	11
Maximum Years Service	21
Average Age	51
Average Service	15
Average Gross Benefit	\$1,375

**Survivor**

Total	4
Minimum Benefit	\$672
Maximum Benefit	\$1,811
Minimum Age	49
Maximum Age	65
Minimum Years Service	12
Maximum Years Service	19
Average Age	53
Average Service	14
Average Gross Benefit	\$957

**Beneficiary**

Total	28
Minimum Benefit	\$511
Maximum Benefit	\$4,702
Minimum Age	44
Maximum Age	74
Minimum Years Service	11
Maximum Years Service	39
Average Age	60
Average Service	25
Average Gross Benefit	\$1,907

**Drop Accruals**

Total	57
Average Age	56
Average Service	25
Average Gross Benefit	\$3,201



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

### Deputy Director

- I am scheduled to provide ethics training for LASERS staff at three sessions in October. This year LASERS and TRSL are opening training to staff from both systems if they are unable to attend their own system's training.

### Public Information Division

- Open Forum is scheduled for Wednesday, September 25. PID coordinated the workshop and webinar, and plans to have videotaped presentations from the event available on the website.
- LAPERS Conference – PID is scheduled to videotape the Sunday educational sessions and those will be available on the Board Portal of the website soon. The PowerPoint presentations will be posted on the LAPERS website.
- The Beam Newsletter – Fall issue will be mailed in mid-October. Topics include:
  - What is Ransomware? by Dan Bowden
  - W4-P Proposed Changes
  - OGB Open Enrollment
  - Valuation Takeaways
- Current PID Stats:

○ Website Pageviews:	57,442
○ Website Users:	15,691
○ Facebook Followers:	1,959
○ Twitter Followers:	646
○ YouTube Subscribers:	479
○ Paperless Beam Subs:	4,561
○ MINT Email Subscribers:	4,861
○ Member Connection Subs:	60,042*

*\*Breaking 60,000 subscriptions is a new record.*

## **Member Services Division**

- The Retirement Education Department (RED) will make a presentation at the Open Forum. Attended by agency human resource and payroll officers from across the State, the Open Forum aims to inform agencies about important information and updates at LASERS. RED's presentation includes topics suggested by human resource personnel that completed a survey after last year's Forum, as well as reminders of the educational materials and resources available to them.
- Recent comments from members:
  - *"Ms. [Angela] Roan was wonderful. She was very helpful and very warm and personable. I'm old and she was very patient."*
  - *"Adrian [Ackerman] is very efficient & financially astute – very impressed with the caliber of benefit analyst."*

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

### **Investment Education Symposium/LATEC**

- The Investment Education Symposium/LATEC conference will be held February 19-21, 2020 at the Royal Sonesta in New Orleans, LA.
- A motion is required to allow for those interested board members to attend the conference.

### **LAPERS**

- Tina will serve as our acting executive director September 15th – 17th; Bobby, Maris, Trey, and I will be attending the LAPERS conference in New Orleans.

### **United Way**

- Blue Jean Mondays in September and October.
- Auction for Miranda Lambert concert tickets.
- "Legends of LASERS" Celebrity Brunch – Monday, September 30
- Silent Auction – October 10 & 11; LASERS divisions will donate theme related items for baskets to be auctioned.



**NOTICE AND AGENDA**  
**Board Meeting**  
**Thursday, September 26, 2019**  
**Immediately following Management Committee**

The Board of Trustees will meet in the fourth floor Board Room of the Retirement Systems Building, immediately following the Management Committee Meeting.

**I. CALL TO ORDER**

**II. ROLL CALL**

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

**IV. REGULAR BUSINESS**

1. Approval of the August 22, 2019, Board Meeting Minutes (**Action Item**)  
*Shannon Templet, Board Chair*
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 Management Committee (**Action Item**)  
*Barbara McManus, Management Committee Chair*
5. Acknowledgement of Receipt of Administrative Errors Report/Documentation (**Action Item**)  
*Tina Grant, Executive Counsel*

**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 meeting.



**Louisiana State Employees' Retirement System  
Regular Board Meeting  
August 22, 2019**

The Board of Trustees of the Louisiana State Employees' Retirement System met on Thursday, August 22, 2019, in the fourth floor Board Room of the Retirement Systems building, 8401 United Plaza Boulevard, Baton Rouge, Louisiana. Ms. Shannon Templet, Board Chair, called the meeting to order at 4:07 p.m. Roll call was conducted by Amanda Celestine, recording secretary.

\*\*\*\*\*

Members Present: Mr. Thomas Bickham, Ms. Virginia Burton, Ms. Beverly Hodges, Judge William Kleinpeter, Mr. John Broussard (designee of the Treasurer), 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, 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; Mr. Bobby Beale, Chief Investment Officer; Ms. Tina Grant, Executive Counsel; Mr. Bobby Beale, Chief Investment Officer; Mr. Dan Bowden, IT Director; Mr. Brent Fitch, IT Technical Support Supervisor; Mr. Don Milner, IT Management Consultant; Mr. Barney Miller, IT Technical Support Specialist; Mr. Ryan Babin, Audit Director; Ms. Laura Sena, Auditor; Ms. Jennifer Adams, Investments Executive Assistant; Ms. Amanda Celestine, 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. There were no public comments.

\*\*\*\*\*

**REGULAR BUSINESS**

Ms. Templet called for approval of the minutes of the July 25, 2019 Board Meeting.

**Mr. Bickham moved, seconded by Ms. McManus, to approve the minutes. With no objection or discussion, the motion passed.**

Ms. Hodges reported the Investment Committee met on Thursday, August 22, 2019, and had the following items to report:

**Ms. Hodges moved, seconded by Ms. Trotter, to extend the Loomis, Sayles and Company Fixed Income contract for another five years. With no objection or discussion, the motion passed.**

**Ms. Hodges moved, seconded by Mr. Bickham, to extend the Orleans Capital Fixed Income contract for another five years. With no objection or discussion, the motion passed.**

Ms. McManus reported the Management Committee met on Thursday, August 22, 2019, and had the following items to report:

**Ms. McManus moved, seconded by Judge Kleinpeter, to approve the administrative rule amendments, as presented. With no objection or discussion, the motion passed.**

**Ms. McManus moved, seconded by Judge Kleinpeter, to approve the amended 2020 board meeting dates, as presented. With no objection or discussion, the motion passed.**

**Ms. McManus moved, seconded by Judge Kleinpeter, to approve the August 2019 Retirement Disability Report. With no objection or discussion, the motion passed.**

**Ms. McManus moved, seconded by Judge Kleinpeter, to accept the annual evaluation and proposed goals of the Executive Director, to be implemented as discussed, as certified by the chair of the Management Committee. With no objection or discussion, the motion passed.**

Ms. Grant presented the administrative errors report. **Judge Kleinpeter moved, seconded by Ms. Hodges, to acknowledge receipt of the administrative errors report and documentation. With no objection or discussion, the motion carried.**

#### **NEW BUSINESS**

Ms. Rougeou introduced Don Milner and Laura Sena as LASERS new employees.

#### **ADJOURNMENT**

With no other business to discuss the meeting adjourned at 4:12 p.m.



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Cindy Rougeou, Executive Director

## Administrative Error Report

September 26, 2019

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Member's Name:	Rebecca Kinchen
Agency:	Department of Public Safety
Reason for Administrative Error:	Hazardous Duty Plan Eligibility Enrolled Member in the Hazardous Duty Plan

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Member's Name	Sharon Ferguson
Agency:	Department of Children & Family Services
Reason for Administrative Error:	Reemployed Retiree Application Not Submitted Changed from Option 3 to Option 1A

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Louisiana State Employees'  
Retirement System

Date: August 16, 2019

To: Cindy Rougeou  
Maris LeBlanc  
Tina V. Grant

From: Tricia Gibbons

Subject: Administrative Error – Hazardous Duty Plan Eligibility

Member Information:

Name: Rebecca Kinchen SSN: xxx-xx-5164

This request for administrative error is for an employee with the Department of Public Safety (00529). The agency enrolled the member in the wrong retirement plan.

The agency has requested that the member be allowed to enroll in the Hazardous Duty plan since this was due to agency error.

I recommend that this request be approved.

Recommendation of Executive Counsel

  
Tina V. Grant

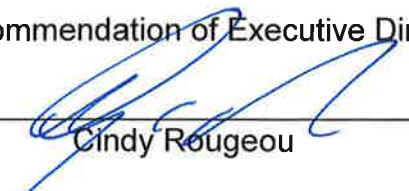
☒ Agree ☐ Disagree  
8/19/19  
date

Recommendation of Deputy Director

  
Maris LeBlanc

☒ Agree ☐ Disagree  
8/20/2019  
date

Recommendation of Executive Director

  
Cindy Rougeou

☒ Agree ☐ Disagree  
8-20-19  
date

**LASERS** Benefits Louisiana.



JOHN BEL EDWARDS  
GOVERNOR

**Office of Louisiana State Fire Marshal**  
Code Enforcement and Building Safety

Department of Public Safety and Corrections  
Public Safety Services



H. BUTCH BROWNING  
STATE FIRE MARSHAL

August 16, 2019

Maris LeBlanc  
Deputy Director & Chief Operating Officer  
Louisiana State Employees' Retirement System  
8401 United Plaza Blvd.  
Baton Rouge, LA 70809

Dear Ms. LeBlanc:

Per our recent communication, this letter is sent to advise of an administrative error in Ms. Rebecca Kinchen's retirement plan enrollment. Rebecca Kinchen (Personnel No. 35193) should have been enrolled in a hazardous duty retirement plan during her employment with the Fire Marshal's office.

Please let me know if any additional information is needed. I appreciate your assistance in this matter.

Sincerely,

H. "Butch" Browning  
State Fire Marshal

Is Yours Working?

Smoke Alarms Save Lives!

OFFICE OF LOUISIANA STATE FIRE MARSHAL  
8181 INDEPENDENCE BOULEVARD, BATON ROUGE, LA 70806  
(225) 925-4911 1-800-256-5452 Fax (225) 925-4593



Louisiana State Employees'  
Retirement System

8401 United Plaza Blvd., Baton Rouge, LA 70809 | Mail: P.O. Box 44213, Baton Rouge, LA 70804-4213  
Toll-free 1.800.256.3000 | Local 225.922.0600 | www.lasersonline.org

Date: August 26, 2019

To: Cindy Rougeou  
Maris LeBlanc  
Tina V. Grant

From: Artie Fillastke 

Subject: Administrative Error – Reemployed Retiree Application Not Submitted

Member Name: Sharon Ferguson

SSN: XXX-XX-8028

This request for administrative error is for an employee with the Agency # 00320 – Department of Children and Family Services. The member retired and returned to work in April of 2019. At that time, no Re-employment of Retiree form was completed. In August of 2019, when the error was determined, the retiree was considered a rehired retiree under the provisions of Option 3 by default as defined by statute.

The agency has requested that the member be allowed to select a rehired retiree option since the member neglected to complete the reemployment form due to agency error. The retiree has now submitted the Re-employment of Retiree form and has selected Option 1A.

I recommend that this request be approved.

Recommendation of Executive Counsel

  
Tina V. Grant

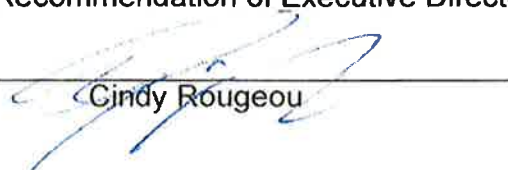
☒ Agree ☐ Disagree  
8/29/19  
date

Recommendation of Deputy Director

  
Maris LeBlanc

☒ Agree ☐ Disagree  
8/29/2019  
date

Recommendation of Executive Director

  
Cindy Rougeou

☒ Agree ☐ Disagree  
8-29-19  
date

**BOARD OF TRUSTEES:**

Shannon Temple, 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

**LASERS** Benefits Louisiana.



*Building a Stronger Louisiana*

Human Resources  
Division of Management  
and Finance  
654 North 4th Street  
Baton Rouge, LA 70802

(225) 342-4308  
(225) 342-9833  
[www.dcfsls.la.gov](http://www.dcfsls.la.gov)

John Bel Edwards, Governor  
Marketa Garner Walters, Secretary

August 26, 2019

Louisiana State Employee's Retirement System  
P. O. Box 44213  
Baton Rouge, LA 70804-4213

RE: Administrative Error Letter for  
Sharon Ferguson XXX-XX-8028  
Reemployment Date: 4/10/2019

Dear LASERS:

Due to an administrative error, Ms. Ferguson's Reemployment Retiree paperwork (10-2), was not processed and submitted in a timely manner.

Should you have any questions or need any additional information, please contact me at (225) 342-6555 or [Melissa.Duncan.DCFS@la.gov](mailto:Melissa.Duncan.DCFS@la.gov).

Sincerely,

Melissa Duncan  
Human Resources Analyst  
Department of Children and Family Services







## 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