

LASERS

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SUMMARY ANNUAL FINANCIAL REPORT

*For Fiscal Years Ended
June 30, 2019 & 2018*

LASERS Benefits Louisiana.

Louisiana State Employees' Retirement System

A component unit of the State of Louisiana



LETTER *of* TRANSMITTAL

OCTOBER 26, 2019

Dear Members:

It is with great pleasure that I present the Louisiana State Employees' Retirement System (LASERS) *Summary Annual Report* for the fiscal year ended June 30, 2019. This report provides information derived from our Comprehensive Annual Financial Report (CAFR) on the financial status of your retirement System, while highlighting changes that occurred during the year. The CAFR, prepared in accordance with generally accepted accounting principles, provides information that is more detailed. It is available on our website at www.lasersonline.org.



CINDY ROUGEOU
Executive Director

Your retirement system maintained prior years' gains despite market volatility brought on by global trade tensions. Over the past seven years, we have added \$3.5 billion in valuation assets to our fund, which exceeds \$12.5 billion¹. We have also improved our funded ratio by 8.2%, which is now 64.1%. During this volatile fiscal year, LASERS approach of investing opportunistically was beneficial. For the year ending June 30, 2019, LASERS investment portfolio realized a time-weighted rate of return on investment assets of 4.4%. For both the three-year and ten-year periods we had a return of 9.8% ranking in the top third and at the median, respectively, of other similar sized public pensions. Actuarially, this equates to a gain of 5.2%, which was below our target of 7.65%. I would like to emphasize that LASERS is a long-term investor, relying on broad actuarial analysis. Our thirty-year compounded average return on the

actuarial value of assets, net of investment expenses, is approximately 7.8%.

Operationally, we enhanced outreach to our members by focusing education on financial security, healthy living, and happiness and engagement as the components that strengthen retirement planning. This included improving the Retirement Readiness section of our website and adding a targeted email blast to our communications strategy with retirement planning tips for active members. Additionally, a Retirement Readiness Fair was held in Baton Rouge and breakout sessions provided attendees information on important LASERS topics. Ongoing improvements to the LASERS document imaging system, Optimus, continue to enhance workflow processes and search capabilities, integrating with other LASERS software and systems. Ultimately, Optimus will deliver new and exciting self-service offerings to members.

Our partnership with stakeholders strengthens our commitment to the System's continuous progression of excellence, as we strive to protect the financial security of LASERS members. LASERS success is critical to working families and retirees across the state. *LASERS Benefits Louisiana*.

Sincerely,

Cindy Rougeou
Executive Director

¹The \$12.5 billion in valuation assets was determined by LASERS actuary in the June 30, 2019 Actuarial Valuation which was calculated differently than the \$12.3 billion in Net Position Restricted for Pensions in LASERS June 30, 2019 audited financial statements.

TOP ROW, LEFT TO RIGHT:

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

BOTTOM ROW, LEFT TO RIGHT:

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

INDIVIDUAL PHOTOS, LEFT TO RIGHT:

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

2019 BOARD *of* TRUSTEES



FINANCIAL *Statements*

Volatility in the financial markets brought on by global trade tensions is the primary reason for the fluctuations in Fiduciary Net Position for the years presented. The implementation of GASB 75 resulted in an increase in 2018 of other postemployment benefit expenses compared to the other years presented as well as the inclusion of deferred inflows and outflows of resources for the first time. Retirement benefits increased because of an increase in the number of retirees and the higher average benefit of newer retirees. Combined employer and employee contributions to the System increased

in 2019 due to an increase in covered payroll and an increase in income from legislative acts. *The Statements of Fiduciary Net Position* present LASERS financial position as of June 30, 2019, 2018, and 2017 by reporting the System's assets, liabilities, and resultant net position restricted for the payment of pension benefits. *The Statements of Changes in Fiduciary Net Position* summarize LASERS results of operations for the same periods by reporting the additions to and deductions from fiduciary net position.

CONDENSED COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION

	2019	2018	2017
Cash and Cash Equivalents	\$ 134,308,012	\$ 176,067,072	\$ 197,912,884
Receivables	166,913,609	194,000,480	158,166,249
Investments	12,078,004,681	12,012,945,909	11,491,499,206
Securities Lending Cash Collateral ¹	1,350,818,807	1,545,232,539	1,239,682,923
Capital Assets	5,853,457	5,936,548	3,855,740
Total Assets	\$ 13,735,898,566	\$ 13,934,182,548	\$ 13,091,117,002
Deferred Outflows of Resources	533,161	315,536	-
Accounts Payable & Other Liabilities	101,259,571	104,402,293	98,268,951
Securities Lending Obligations ¹	1,350,756,954	1,545,177,985	1,239,572,201
Total Liabilities	\$ 1,452,016,525	\$ 1,649,580,278	\$ 1,337,841,152
Deferred Inflows of Resources	1,716,211	1,204,688	-
Net Position Restricted for Pensions	\$ 12,282,698,991	\$ 12,283,713,118	\$ 11,753,275,850

CONDENSED COMPARATIVE STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	2019	2018	2017
Employer Contributions	\$ 769,629,768	\$ 729,479,704	\$ 675,584,000
Employee Contributions	160,338,556	152,189,709	149,931,242
Net Investment Income	452,914,317	1,011,537,508	1,520,600,699
Other Income	13,052,134	15,198,732	14,049,005
Total Additions	\$ 1,395,934,775	\$ 1,908,405,653	\$ 2,360,164,946
Retirement Benefits	1,343,892,705	1,317,635,325	1,274,461,022
Refunds and Transfers of Contributions	34,948,707	35,191,508	37,606,040
Administrative Expenses	16,785,776	14,732,258	17,074,984
Other Postemployment Benefit Expenses	538,097	9,525,495	904,975
Depreciation and Amortization Expenses	783,617	883,799	556,901
Total Deductions	\$ 1,396,948,902	\$ 1,377,968,385	\$ 1,330,603,922
Net Increase (Decrease)	(1,014,127)	530,437,268	1,029,561,024
Net Position Beginning of Year	12,283,713,118	11,753,275,850	10,723,714,826
Net Position End of Year	\$ 12,282,698,991	\$ 12,283,713,118	\$ 11,753,275,850

¹Securities lending, or stock lending, refers to the lending of securities by one party to another. The terms of the loan will be governed by a "Securities Lending Agreement," which requires that the borrower provides the lender with collateral, in the form of cash, government securities, or a Letter of Credit of value equal to or greater than the loaned securities.

INVESTMENT *Performance*

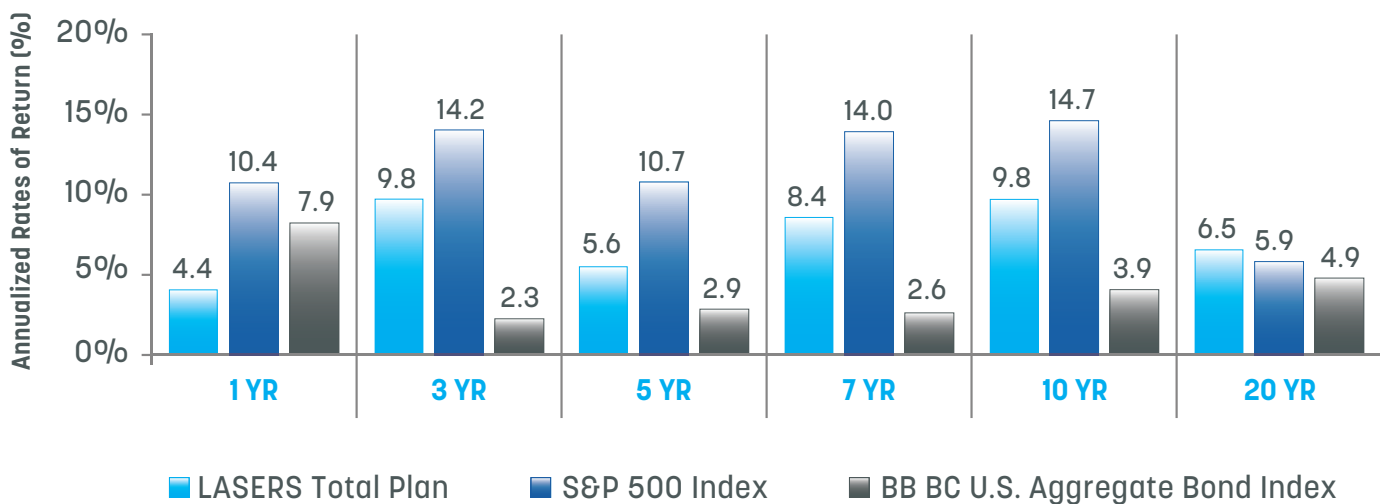
This fiscal year was marked by a return of volatility in the second half of 2018. Following three consecutive quarters of positive economic growth including historically low unemployment, wage increases and strong corporate earnings, markets took a dramatic tumble in October 2018. The sell off in stocks and volatility in credit spreads were driven by a number of issues, including global trade tensions, especially between the U.S. and China, as well as Mexico. LASERS earned a 4.4% gross-of-fees, time-weighted return on investments for the fiscal year ended June 30, 2019. As a result, the total gross-of-fee investment value of the fund as of June 30, 2019 exceeded \$11.5 billion.

Annualized rates of return for both the three-year and 10-year periods were 9.8%. These returns place LASERS in the top thirtieth percentile for the three-year period and above median for the 10-year period, as compared to other public pension plans with market values greater than \$1 billion in the Wilshire Trust Universe Comparison Service (TUCS)ⁱ. As always, LASERS maintains its commitment to a broadly diversified portfolio and seeks to achieve results greater than its actuarial target rate of return of 7.65% with the least possible amount of risk. Carefully underwritten and conservative assumptions for future expected returns have been adopted, and the investment portfolio is structured to optimize the risk/return trade-off. The charts illustrate our investment returns and asset allocations.

ANNUALIZED INVESTMENT RETURNSⁱⁱ

As of June 30, 2019

Years	1	3	5	7	10	20
LASERS Total Plan	4.4%	9.8%	5.6%	8.4%	9.8%	6.5%
S&P 500 Index	10.4%	14.2%	10.7%	14.0%	14.7%	5.9%
BC U.S. Aggregate Bond Index	7.9%	2.3%	2.9%	2.6%	3.9%	4.9%













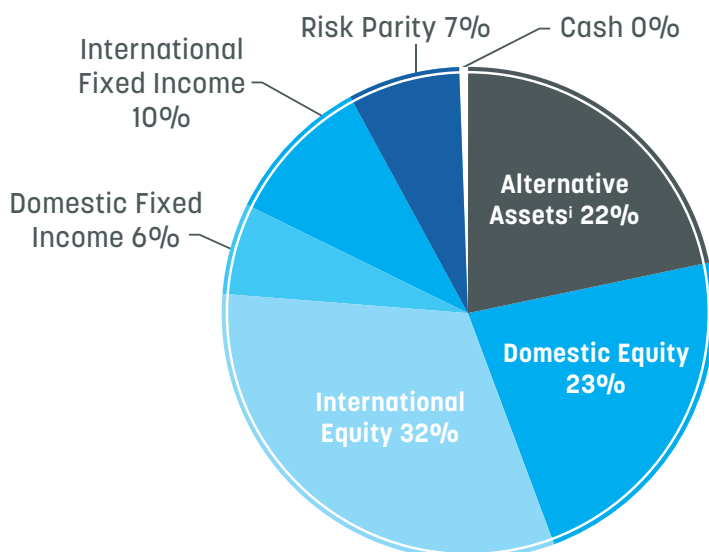
ⁱBased on Wilshire's TUCS rankings as of August 22, 2019.

ⁱⁱInvestment Performance calculated for periods over two years uses monthly returns geometrically linked to calculate annualized "time-weighted" rates of return. Returns are calculated one quarter in arrears. Investment Performance does not include Self-Directed Plan and Optional Retirement Plan funds.

LASERS INVESTS *in Louisiana*

LASERS supports Louisiana by investing in companies that impact local economies. For the fiscal year ended June 30, 2019, LASERS invested approximately \$287 million in Louisiana stocks, bonds, and private markets. The table below illustrates the top ten companies headquartered in Louisiana in which LASERS invests.

COMPANY	LOUISIANA HEADQUARTERS	MARKET VALUE
 EPIC PIPING	Baton Rouge	\$ 13,679,994
 Bernhard	New Orleans	\$ 10,780,261
 Brown & Root	Baton Rouge	\$ 9,704,320
 CenturyLink™	Monroe	\$ 4,160,281
 LeMoine Company	Lafayette	\$ 3,263,806
 LAMAR	Baton Rouge	\$ 1,818,424
 POOLCORP™	Covington	\$ 1,645,000
 LHC GROUP	Lafayette	\$ 1,303,422
 Entergy	New Orleans	\$ 977,835
 amedisys	Baton Rouge	\$ 936,285



ASSET ALLOCATION

As of June 30, 2019

Asset Class	Target	Actual
Cash	0%	0%
Domestic Equity	23%	23%
International Equity	32%	32%
Domestic Fixed Income	6%	6%
International Fixed Income	10%	10%
Alternative Investments	22%	22%
Risk Parity	7%	7%
Total	100%	100%

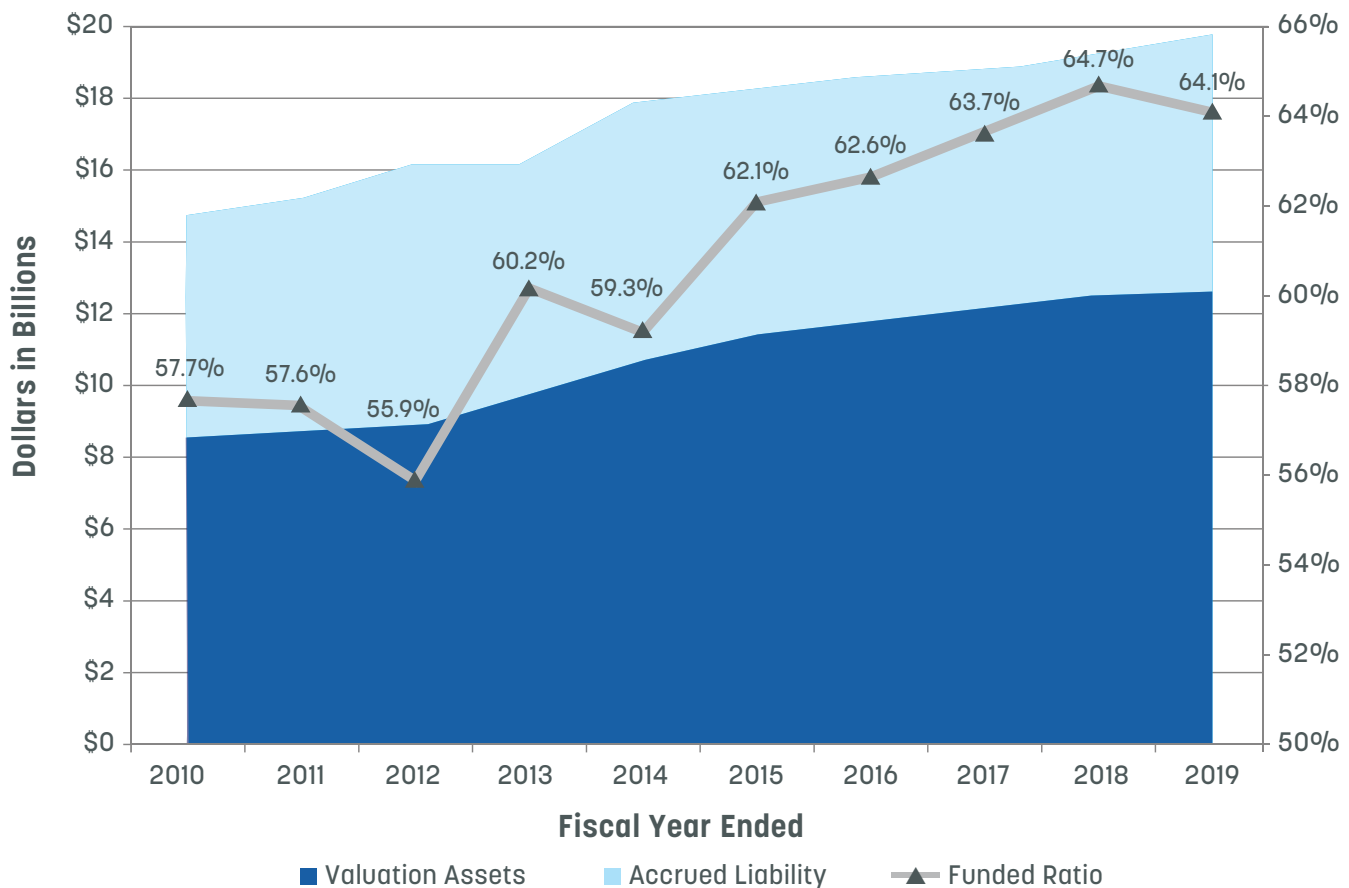
ⁱTraditional assets include investments such as stocks, bonds, and money market accounts. Alternative assets include all non-traditional investments and are often made through hedge fund or private market structures. Examples include investments in commodities, energy, real estate, start-up companies,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

ACTUARIAL *Summary*

Your retirement benefits are funded by employee contributions, contributions from the State of Louisiana, and cumulative investment earnings. In order to ensure your benefits are available to you, LASERS is constantly evaluating the plan's assets relative to the value of the liabilities. Accrued liabilities are liabilities which have occurred, but have not been paid. For fiscal year

ending 2019, our funding ratio decreased from 64.7% to 64.1%, primarily a result of interest on the unfunded liability and experience losses related to investment and non-investment assumptions. The funded ratio is measured by the plans valuation assets divided by the total actuarial accrued liability. The ratio is a measure for evaluating the sufficiency of plan assets to cover the estimated cost of the plan's obligations.

FUNDING THE RETIREMENT PLAN



NET PENSION LIABILITY OF EMPLOYERS

Total Pension Liability is the actuarial present value of projected benefit payments by a pension plan. The Employers' Net Pension Liability is the portion of Total Pension Liability not covered by plan assets (Plan Fiduciary Net Position) that employers owe the System. The net pension liability of LASERS employers as of June 30, 2019, 2018, and 2017 were as follows:

	2019	2018	2017
Total Pension Liability	\$ 19,527,612,295	\$ 19,103,640,164	\$ 18,792,105,561
Plan Fiduciary Net Position	12,282,698,991	12,283,713,118	11,753,275,850
Employers' Net Pension Liability	\$ 7,244,913,304	\$ 6,819,927,046	\$ 7,038,829,711
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	62.9%	64.3%	62.5%

MEMBERSHIP *Summary*

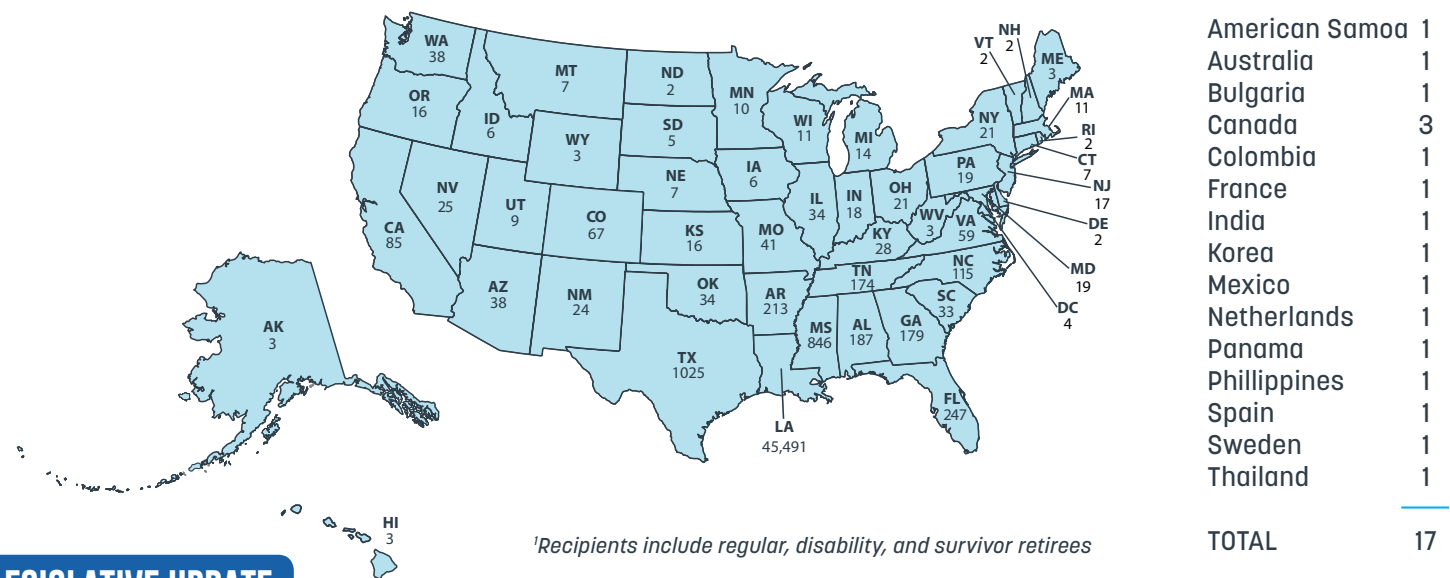
MEMBERS SNAPSHOT June 30, 2019 Actuarial Valuation

Active Members		Total Membership	
Average Age	45.3	Active	39,533
Average Years of Service	10.8	Retired	41,117
Average Annual Salary	\$49,070	Disability Retirees	2,175
DROP Accrual		Survivors	5,977
Average Age	58.3	Terminated-Vested	3,744
Average Annual Benefit	\$33,600	Terminated-Nonvested	55,280
Retired Members		DROP Accrual	1,354
Average Age	70.2		
Average Annual Benefit	\$25,464		

MEMBERSHIP RETIRING During the Fiscal Year Ended June 30, 2019

Years Credited by Service Category	< 5	5-10	10-15	15-20	20-25	25-30	30+	All Members
Average Monthly Benefit	\$1,295	\$820	\$1,124	\$1,733	\$2,181	\$3,473	\$4,281	\$2,654
Final Average Monthly Compensation	\$4,302	\$4,664	\$3,847	\$4,098	\$4,324	\$5,227	\$5,614	\$4,726
Number of Retirees	4	67	258	217	302	344	359	1,551

LOCATION OF LASERS BENEFIT RECIPIENTS¹



LEGISLATIVE UPDATE

2019 Legislation The 2019 Regular Session of the Louisiana Legislature resulted in the passage of the following legislation which impacts the Plans administered by LASERS.

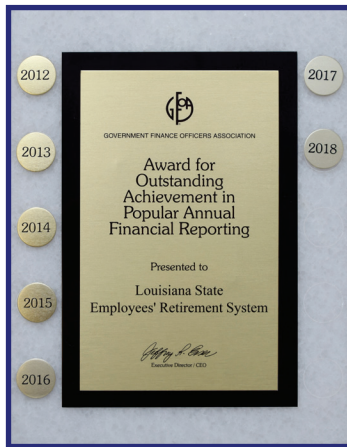
ACT 42 changes the definition for Department of Agriculture and Forestry firefighters eligible to join the Hazardous Duty Services Plan.

ACT 50 appropriates \$9,478,184 in State surplus funds to LASERS to be applied to the initial unfunded accrued liability.

ACT 264 excludes Regional Transit Authority future management class employees from LASERS membership.

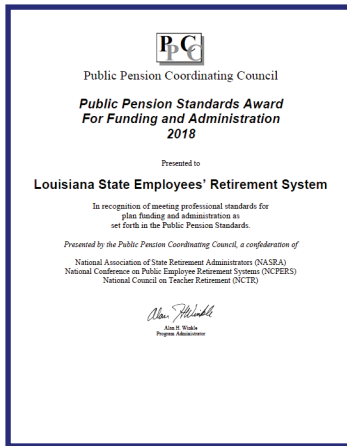
ACT 289 removes the insurance premium increase for Hazardous Duty Services Plan members who transfer service and retire with an unreduced benefit, when the member reaches the age required for regular plan retirement eligibility.

AWARDS *GFOA & Public Pension Standards*



GFOA AWARD

The Government Finance Officers Association of the United States of America and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to LASERS for its Popular Annual Financial Report for the fiscal year ended June 30, 2018. This prestigious national award recognizes excellence for readily understood financial reports that are less technical in nature, while providing interesting financial, actuarial and historical information. This is the twentieth consecutive year that LASERS has received this award.



PUBLIC PENSION STANDARDS AWARD

LASERS received the Public Pension Coordinating Council's (PPCC) 2018 Public Pension Standards Award in recognition of achieving high professional standards in the areas of plan design and administration, benefits, actuarial valuations, financial reporting, investments, and disclosures to members. LASERS is proud to have received this award for the fifteenth consecutive year.

The LASERS Mission

To provide a sound retirement plan for our members through prudent management and exceptional service

The LASERS Vision

Confidence in our service, assuring financial security for your future

LASERS Core Values

Highest Ethical Standards
Integrity
Prudent Management

LASERS

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