



LASERS

Louisiana State Employees'
Retirement System

2020 Summary Annual Financial Report

LASERS Benefits Louisiana.
Louisiana State Employees' Retirement System
A component unit of the State of Louisiana

**For Fiscal Years Ended
June 30, 2020 & 2019**

Letter of Transmittal

October 24, 2020

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, 2020. 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.

While the fiscal year began on a relatively positive note, it quickly changed in March when the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic. COVID-19 has negatively impacted the global economy and created significant volatility and disruption of the financial markets, resulting in significant declines in the values of investment securities. Your retirement system maintained prior years' gains despite market volatility brought on by the pandemic. Over the past eight years, we have added \$3.6 billion in valuation assets to our fund, which exceeds \$12.6 billion.¹ We have also improved our funded ratio by 8.2%, which is now 64.1%. For the year ending June 30, 2020, LASERS investment portfolio realized a gross-of-fees, time-weighted rate of return on investment assets of -3.8%. The plan earned a gross-of-fees, annualized return of 4.4% for the five-year period, 6.0% for the



Cindy Rougeou
Executive Director

seven-year period, and 7.7% for the ten-year period. Actuarially, this equates to a gain of 3.9%, which was below our target of 7.6%. 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 7.6%.

As a result of COVID-19 closures, statewide workshops, seminars, and individual counseling sessions were cancelled for the last quarter of the year. However, there were no disruptions in operations as most staff were able to work from home. Our customer service department quickly converted in-person appointments to phone or video appointments and all other operations continued virtually. Also during this time our staff continued the testing of a new custom member portal (myLASERS) that will be launched in the fall of 2020. This new online account management tool will provide enhanced security, a message center, online form submission, appointment scheduling, document viewing, and the status of certain member requests.

As we look toward the future, we will continue to fine-tune our investment strategies to make every investment dollar count and to minimize employer contributions. Also, we will look to develop innovative programs to improve the value of the services provided to our members. LASERS success is critical to working families and retirees across the state. *LASERS Benefits Louisiana*.

Sincerely,

Cindy Rougeou
Executive Director

¹ The \$12.6 billion in valuation assets was determined by LASERS actuary in the June 30, 2020 Actuarial Valuation which was calculated differently than the \$11.4 billion in Net Position Restricted for Pensions in LASERS June 30, 2020 audited financial statements.

2020 Board of Trustees



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Financial Statements



Volatility in the financial markets brought on by the COVID-19 pandemic is the primary reason for the decrease in Fiduciary Net Position for the current year. 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 2020 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, 2020,

2019, and 2018 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

	2020	2019	2018
Cash and Cash Equivalents	\$ 139,023,019	\$ 134,308,012	\$ 176,067,072
Receivables	171,926,994	166,913,609	194,000,480
Investments	11,218,189,209	12,078,004,681	12,012,945,909
Securities Lending Cash Collateral ¹	1,079,839,165	1,350,818,807	1,545,232,539
Capital Assets	6,217,506	5,853,457	5,936,548
Total Assets	\$ 12,615,195,893	\$ 13,735,898,566	\$ 13,934,182,548
Deferred Outflows of Resources	1,075,248	533,161	315,536
Accounts Payable & Other Liabilities	112,421,630	101,259,571	104,402,293
Securities Lending Obligations ¹	1,079,832,536	1,350,756,954	1,545,177,985
Total Liabilities	\$ 1,192,254,166	\$ 1,452,016,525	\$ 1,649,580,278
Deferred Inflows of Resources	3,306,080	1,716,211	1,204,688
Net Position Restricted for Pensions	\$ 11,420,710,895	\$ 12,282,698,991	\$ 12,283,713,118

Condensed Comparative Statements of Changes in Fiduciary Net Position

	2020	2019	2018
Employer Contributions	\$ 854,117,785	\$ 769,629,768	\$ 729,479,704
Employee Contributions	164,576,018	160,338,556	152,189,709
Net Investment Income (Loss)	(480,573,814)	452,914,317	1,011,537,508
Other Income	15,955,512	13,052,134	15,198,732
Total Additions	\$ 554,075,501	\$ 1,395,934,775	\$ 1,908,405,653
Retirement Benefits	1,368,004,318	1,343,892,705	1,317,635,325
Refunds and Transfers of Contributions	30,447,178	34,948,707	35,191,508
Administrative Expenses	16,749,257	16,785,776	14,732,258
Other Postemployment Benefit Expense	42,750	538,097	9,525,495
Depreciation and Amortization Expense	820,094	783,617	883,799
Total Deductions	\$ 1,416,063,597	\$ 1,396,948,902	\$ 1,377,968,385
Net Increase (Decrease)	(861,988,096)	(1,014,127)	530,437,268
Net Position Beginning of Year	12,282,698,991	12,283,713,118	11,753,275,850
Net Position End of Year	\$ 11,420,710,895	\$ 12,282,698,991	\$ 12,283,713,118

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



While the fiscal year started on a relatively positive note, it was quickly overtaken by the COVID-19 pandemic that reached all corners of the world. After reaching an all-time high in February, the S&P 500 Index fell into bear market territory after just twenty-two trading days. Meanwhile, prices rose for government bonds as investors moved toward perceived safety. Markets posted strong returns in the second quarter of 2020 and modest upticks were being seen in economic activity, although it remained well below pre-pandemic levels. Economic uncertainty and heightened volatility across capital markets lingered. LASERS earned a -3.8% gross-of-fees,¹ time-weighted return on investments for the fiscal year ended June 30, 2020. As a result, the total gross-of-fee investment value of the fund as of June 30, 2020 exceeded \$10.6 billion.

Longer-term annualized rates of return are 4.4% for the five-year period, 6.0% for the seven-year period, and 7.7% for the ten-year period. 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 7.60% 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 Returns²

As of June 30, 2020

Years	1	3	5	7	10	20
LASERS Total Plan	-3.8%	3.2%	4.4%	6.0%	7.7%	5.7%
S&P 500 Index	7.5%	10.7%	10.7%	12.1%	14.0%	5.9%
BC U.S. Aggregate Bond Index	8.7%	5.3%	4.3%	4.0%	3.8%	5.1%



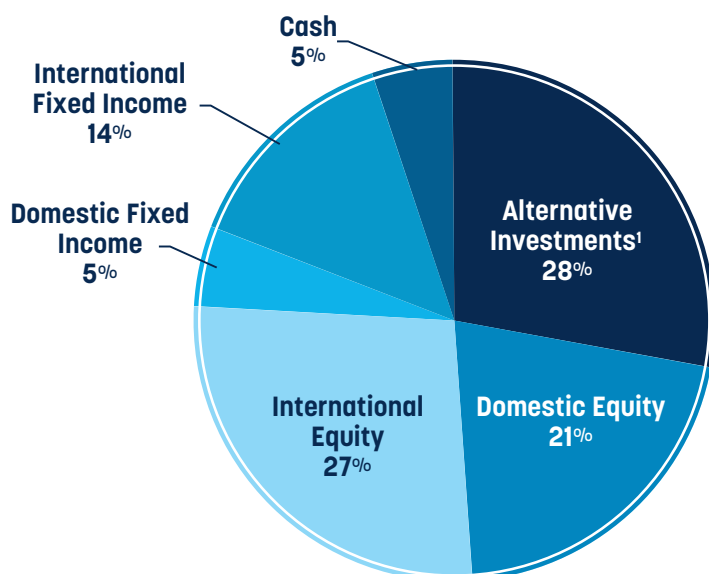
¹ LASERS custodian bank serves as book of record and calculates investment performance on behalf of the Plan.

² Investment Performance calculated for periods over two years use monthly returns geometrically linked to calculate annualized "time-weighted" rates of return. Returns are calculated one quarter in arrears. Investment Performance does not include Self-Directed Plan and Optional Retirement Plan funds.

LASERS Invests in Louisiana

LASERS supports Louisiana by investing in companies that impact local economies. For the fiscal year ended June 30, 2020, LASERS invested approximately \$306 million in Louisiana stocks, bonds, and private markets. The table below illustrates the top 10 companies headquartered in Louisiana in which LASERS invests.

Company	Louisiana Headquarters	Market Value
 EPIC PIPING	Baton Rouge	\$ 14,929,724
 Bernhard	New Orleans	\$ 12,748,894
 Brown & Root	Baton Rouge	\$ 8,886,740
 The Lemoine Company	Lafayette	\$ 4,308,866
 POOLCORP	Covington	\$ 2,718,700
 CenturyLink	Monroe	\$ 2,024,494
 LAMAR	Baton Rouge	\$ 2,023,877
 Entergy	New Orleans	\$ 1,953,488
 amedisys	Baton Rouge	\$ 1,608,174
 LHC GROUP	Lafayette	\$ 1,289,968



Asset Allocation

As of June 30, 2020

Asset Class	Target	Actual
Cash	0%	5%
Domestic Equity	23%	21%
International Equity	32%	27%
Domestic Fixed Income	6%	5%
International Fixed Income	10%	14%
Alternative Investments	29%	28%
Total	100%	100%

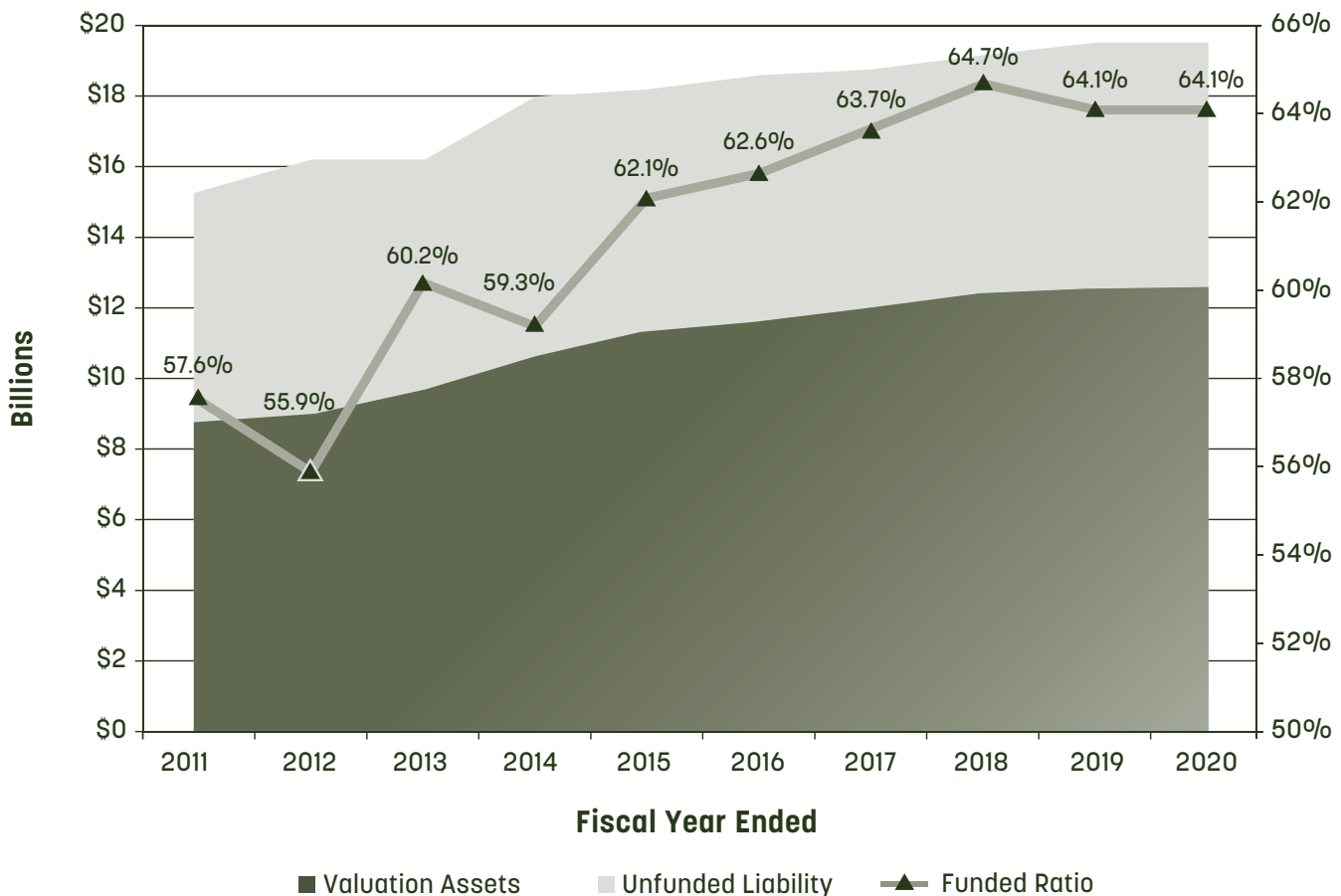
¹ Traditional assets include investments such as stocks, bonds, and money market accounts. Alternative investments include all non-traditional investments and are often made through hedge fund or private market structures. Examples include investments in commodities, energy, real estate, start-up companies, 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 2020, our funding ratio remained at 64.1% and the System's unfunded actuarial accrued liability increased to \$7.1 billion, primarily a result of interest

on the unfunded liability, an investment experience loss, and a discount rate change. 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, 2020, 2019, and 2018 were as follows:

	2020	2019	2018
Total Pension Liability	\$ 19,691,378,799	\$ 19,527,612,295	\$ 19,103,640,164
Plan Fiduciary Net Position	11,420,710,895	12,282,698,991	12,283,713,118
Employers' Net Pension Liability	\$ 8,270,667,904	\$ 7,244,913,304	\$ 6,819,927,046
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.0%	62.9%	64.3%

Membership Summary

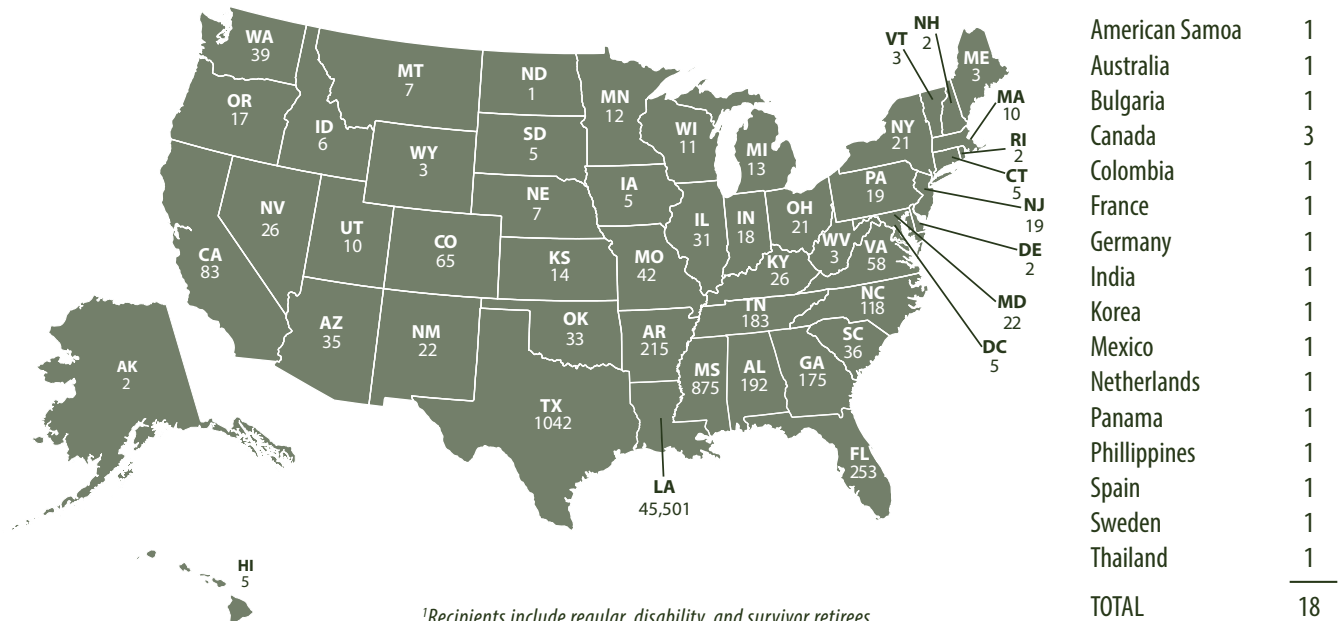
Members Snapshot June 30, 2020 Actuarial Valuation

Active Members		Total Membership	
Average Age	45.4	Active	39,487
Average Years of Service	10.7	Retired	41,271
Average Annual Salary	\$50,365	Disability Retirees	2,091
DROP Accrual		Survivors	5,979
Average Age	58.1	Terminated-Vested	3,691
Average Annual Benefit	\$35,371	Terminated-Nonvested	55,676
Retired Members		DROP Accrual	1,367
Average Age	70.6		
Average Annual Benefit	\$25,941		

Membership Retiring During the Fiscal Year Ended June 30, 2020

Years Credited by Service Category	< 5	5-10	10-15	15-20	20-25	25-30	30+	All Members
Average Monthly Benefit	\$1,503	\$693	\$1,167	\$1,794	\$2,455	\$3,544	\$4,525	\$2,916
Final Average Monthly Compensation	\$3,609	\$4,199	\$4,032	\$4,321	\$4,859	\$5,325	\$5,914	\$5,028
Number of Retirees	3	56	197	205	252	351	372	1,436

Location of Lasers Benefit Recipients¹



¹Recipients include regular, disability, and survivor retirees

2020 Legislative Update

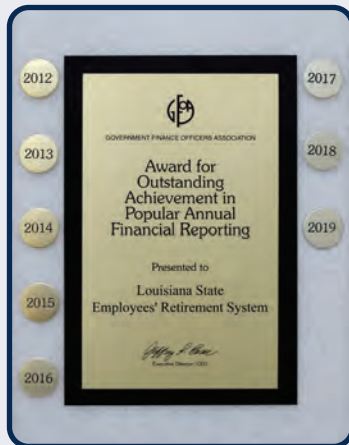
The 2020 Regular Session of the Louisiana Legislature resulted in the passage of the following legislation which impacts the Plan administered by LASERS:

ACT 29 - adds the Morgan City and Berwick Housing Authorities to LASERS.

ACT 213 - provides that the contributions to the state retirement systems for the initial unfunded accrued liability shall be contained in the executive budget and as an exhibit to the general appropriation bill.

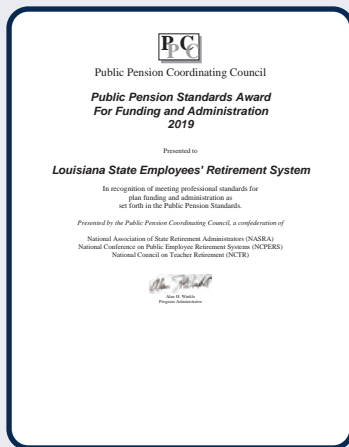
ACT 255 - appropriates \$16.7 million in State nonrecurring revenue to LASERS to be applied to the initial unfunded accrued liability.

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, 2019. 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 twenty-first consecutive year that LASERS has received this award.



Public Pension Standards Award

LASERS received the Public Pension Coordinating Council's (PPCC) 2019 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 sixteenth 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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