



PHOTOGRAPHER: JEANIE RHEA

2022 SUMMARY ANNUAL FINANCIAL REPORT

LASERS

FOR FISCAL YEARS ENDED JUNE 30, 2022 & 2021

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

A COMPONENT UNIT OF THE STATE OF LOUISIANA

LETTER OF TRANSMITTAL

PHOTOGRAPHER: CASSIE BABIN

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, 2022. This report provides information derived from our *Annual Comprehensive Financial Report* (ACFR) on the financial status of your retirement system, while highlighting changes that occurred during the year. The ACFR, prepared in accordance with generally accepted accounting principles, provides information that is more detailed. It is available on our website at www.lasersonline.org.

The 2021-2022 fiscal year saw capital markets decline sharply due to a number of factors including inflation reaching a multi-decade high, aggressive monetary policy tightening by the Federal Reserve, and lingering effects of the Russia-Ukraine conflict. During this fiscal year, the System felt the impact of those ongoing economic and market struggles. For the fiscal year ending June 30, 2022, LASERS investment portfolio realized a gross-of-fees, time-weighted return on investment assets of -7.2%. The plan earned an annualized return of 12.2% for the two-year period, 8.2% for the six-year period, and 7.8% for the 10-year period. Actuarially, this equates to a gain of 7.1% for the fiscal year ending June 30, 2022. Our 30-year compounded average return on the actuarial value of assets, net of investment expenses, is 7.5%, which was above our target of 7.25%. We have also improved our funded ratio by 0.5%, which is now 66.5%.

I would like to emphasize that LASERS is a long-term investor, relying on broad actuarial analysis. Over the last decade, we have added \$3.7 billion to our Net Position Restricted for Pensions, which exceeds \$13.2 billion. LASERS has also reduced the discount rate



Cindy Rougeou
Executive Director

from 8.25% to 7.25% and changed the actuarial cost method from projected unit credit to entry age normal, which in total have increased the unfunded accrued liability by \$2.2 billion. If not for these changes, the funded ratio would be approximately 73.8%. However, these changes have improved the financial stability of the plan by reducing the potential for future contribution rate increases. If all actuarial assumptions are realized, our funded ratio is expected to steadily increase as unfunded liabilities are amortized in accordance with the plan's funding policy.

Our staff worked diligently during the 2022 Regular Legislative Session to pass Act 656, the One-Time Supplemental Payment legislation. This legislation provided over 45,000 eligible retirees and beneficiaries with a one-time relief payment in August 2022. A fact and resource webpage was created to educate members and the public on the legislation. Communications included the website, Member Connection emails, *The Beam* newsletter articles, and numerous social media posts.

We would like to recognize the teamwork and contributions of our experienced and dedicated staff. They continue to keep the best interests of our members as their top priority. As we look toward the future, we will continue to fine-tune our investment strategies to make every investment dollar count and minimize employer contributions. We will also continue 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

2022 Board of Trustees



Judge William Kleinpeter
Board Chair
Elected Active Member



Shannon Temple
Vice Chair
Elected Active Member



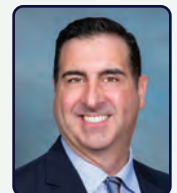
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Elected Active Member



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Designee, Senate
Committee on Retirement



Sen. Edward Price
Chair, Senate Committee
on Retirement



Hon. John Schroder
State Treasurer

PHOTOGRAPHER: TAMMY HEIL

The decrease in fiduciary net position in the current year over the prior year can be attributed to increased global market volatility caused by multi-decade high inflation, aggressive monetary policy by the Federal Reserve, and lingering effects of the Russia-Ukraine conflict. The increase in fiduciary net position in 2021 over 2020 can be attributed to market recovery realized from a combination of federal stimulus and vaccine development in response to the COVID-19 pandemic. Retirement benefits increased because of an

increase in the number of retirees and the higher average benefit of newer retirees. The *Statements of Fiduciary Net Position* present LASERS financial position as of June 30, 2022, 2021, and 2020 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

	2022	2021	2020
Cash and Cash Equivalents	\$ 169,121,709	\$ 148,590,579	\$ 139,023,019
Receivables	162,762,631	188,827,426	171,926,994
Investments	13,009,850,747	14,523,879,752	11,218,189,209
Securities Lending Cash Collateral ¹	967,955,826	967,315,754	1,079,839,165
Capital Assets	5,840,563	5,954,546	6,217,506
Total Assets	\$ 14,315,531,476	\$ 15,834,568,057	\$ 12,615,195,893
Deferred Outflows of Resources	3,894,299	1,964,402	1,075,248
Accounts Payable & Other Liabilities	111,172,534	150,559,064	112,421,630
Securities Lending Obligations ¹	968,184,946	967,309,307	1,079,832,536
Total Liabilities	\$ 1,079,357,480	\$ 1,117,868,371	\$ 1,192,254,166
Deferred Inflows of Resources	1,488,155	2,319,321	3,306,080
Net Position Restricted for Pensions	\$ 13,238,580,140	\$ 14,716,344,767	\$ 11,420,710,895

Condensed Comparative Statements of Changes in Fiduciary Net Position

	2022	2021	2020
Employer Contributions	\$ 855,817,402	\$ 853,214,442	\$ 854,117,785
Employee Contributions	167,117,810	166,954,560	164,576,018
Net Investment Income (Loss)	(1,015,958,553)	3,703,593,259	(480,573,814)
Other Income	15,817,950	14,556,140	15,955,512
Total Additions	\$ 22,794,609	\$ 4,738,318,401	\$ 554,075,501
Retirement Benefits	1,447,668,471	1,394,914,135	1,368,004,318
Refunds and Transfers of Contributions	34,413,878	30,305,050	30,447,178
Administrative Expenses	16,710,210	16,606,586	16,749,257
Other Postemployment Benefit Expenses	966,102	89,651	42,750
Depreciation and Amortization Expenses	800,575	769,107	820,094
Total Deductions	\$ 1,500,559,236	\$ 1,442,684,529	\$ 1,416,063,597
Net Increase (Decrease)	(1,477,764,627)	3,295,633,872	(861,988,096)
Net Position Beginning of Year	14,716,344,767	11,420,710,895	12,282,698,991
Net Position End of Year	\$ 13,238,580,140	\$ 14,716,344,767	\$ 11,420,710,895

¹ Securities 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

PHOTOGRAPHER: WILLIAM MORGAN

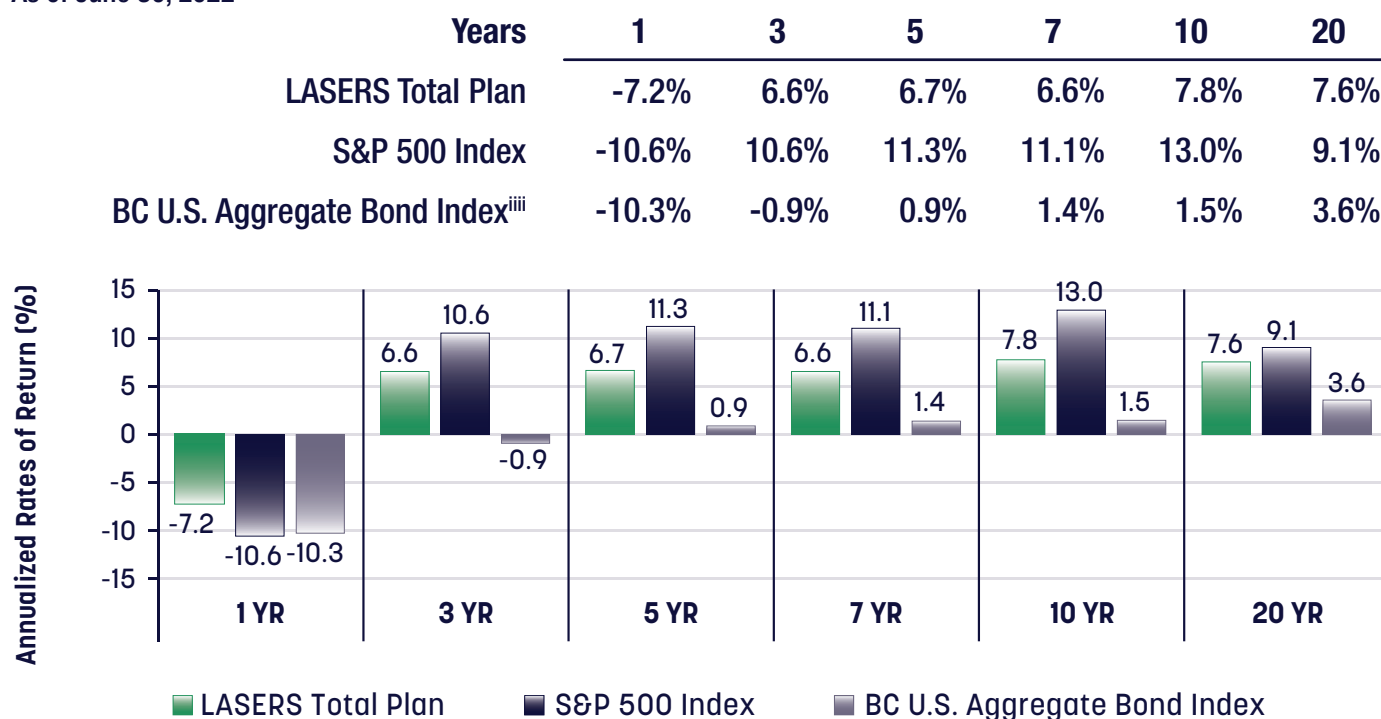
The fiscal year began on the heels of an impressive post-pandemic recovery in which nearly every asset class posted hefty double-digit returns. Volatility was beginning to make a comeback due to concerns about the spread of the Delta variant, although focus was starting to shift toward inflation and the Federal Reserve's tapering expectations. By the fall, the announcement that tapering would begin mid-November was made. Markets initially responded favorably, but then were concerned by the new Omicron variant. In December, the expectation for three rate hikes in 2022 was officially announced. Entering the 2022 calendar year with inflation at a multi-decade high and Russia-Ukraine concerns mounting, in January, U.S. equity markets posted their worst week since March 2020. The following months saw inflation continue to increase due to Russia's entrance into Ukraine, new COVID fears and associated lockdowns in China, and the start of rate increases by the Federal Reserve. For the fiscal year ended June 30, 2022, the Plan felt the impact of the on going economic and market struggles.

LASERS earned a -7.2% gross-of-feesⁱ, time-weighted return on investments. As a result, the total gross-of-fee investment value of the fund as of June 30, 2022, was just under \$12.5 billion. This return places LASERS in the fifty-seventh percentile for the one-year period, as compared to other public pension plans with market values greater than \$1 billion in the Wilshire Trust Universe Comparison Service (TUCS)ⁱⁱ.

Longer-term annualized rates of return are 6.7% for the five-year period, 6.6% for the seven-year period, and 7.8% for the 10-year period. As always, LASERS maintains its commitment to a broadly diversified portfolio and seeks to achieve results greater than its actuarial discount rate of return of 7.25% 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 Returnsⁱⁱⁱ

As of June 30, 2022



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

ⁱⁱBased on Wilshire's TUCS Rankings dated August 26, 2022.

ⁱⁱⁱInvestment Performance calculated for periods over one year use monthly returns geometrically linked to calculate annualized "time-weighted" rates of return. All returns presented are calculated gross-of-fees one quarter in arrears. Investment Performance does not include Self-Directed Plan and Optional Retirement Plan funds.

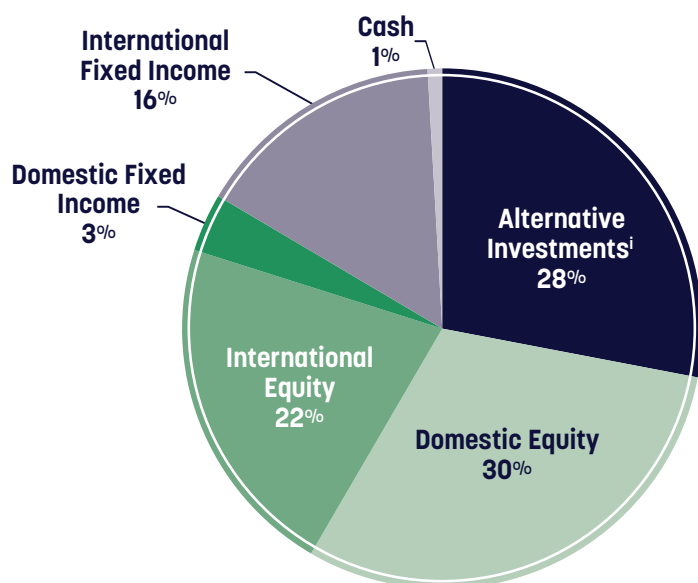
ⁱⁱⁱⁱBarclays Capital U.S. Aggregate Bond Index is a commonly used index for measuring the performance of the U.S. bond market.

LASERS INVESTS IN LOUISIANA

PHOTOGRAPHER: TAMMY HEIL

LASERS supports Louisiana by investing in companies that impact local economies. For the fiscal year ended June 30, 2022, LASERS invested approximately \$430.7 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	\$ 17,133,635
 The Lemoine Company	Lafayette	\$ 11,936,203
 Brown & Root	Baton Rouge	\$ 10,024,243
 THE C IRAY SURETY	Mandeville	\$ 7,878,151
 AlliedPower	Baton Rouge	\$ 4,405,334
 NATIONAL WATER INFRASTRUCTURE	Prairieville	\$ 2,419,811
 LAMAR	Baton Rouge	\$ 2,120,420
 Entergy	New Orleans	\$ 1,577,608
 LHC GROUP	Lafayette	\$ 1,261,494
LUMEN	Monroe	\$ 1,150,336



Asset Allocation

As of June 30, 2022

Asset Class	Target	Actual
Cash	0%	1%
Domestic Equity	31%	30%
International Equity	23%	22%
Domestic Fixed Income	3%	3%
International Fixed Income	17%	16%
Alternative Investments	26%	28%
Total	100%	100%

ⁱTraditional 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

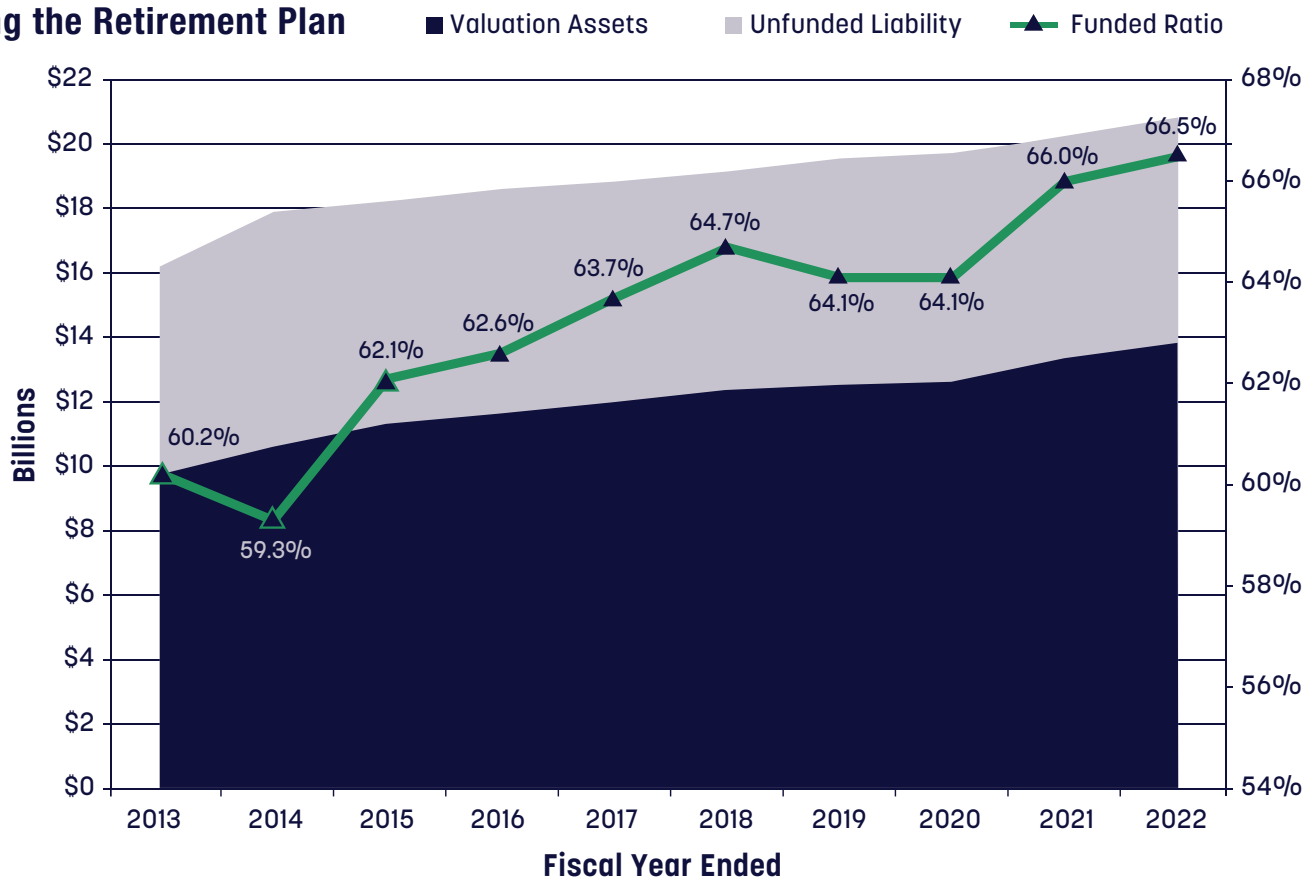
PHOTOGRAPHER: TAMMY HEIL

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 2022, our funding ratio increased to 66.5% and the System's unfunded actuarial accrued liability increased to \$7.0 billion, primarily a result of interest on the unfunded liability, a discount rate change, other experience loss, and an investment experience loss. 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.

Over the past decade or so, LASERS has reduced the discount rate from 8.25% to 7.25% and changed the actuarial cost method from projected unit credit to entry age normal, which in total have increased the unfunded accrued liability. If not for these changes, the funded ratio would be approximately 73.8%. However, these changes have improved the financial stability of the plan by reducing the potential for future contribution rate increases. If all actuarial assumptions are realized, the funded ratio is expected to steadily increase as unfunded liabilities are amortized in accordance with the plan's funding policy.

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, 2022, 2021, and 2020 were as follows:

	2022	2021	2020
Total Pension Liability	\$ 20,798,321,945	\$ 20,220,320,534	\$ 19,691,378,799
Plan Fiduciary Net Position	13,238,580,140	14,716,344,767	11,420,710,895
Employers' Net Pension Liability	\$ 7,559,741,805	\$ 5,503,975,767	\$ 8,270,667,904
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.7%	72.8%	58.0%

MEMBERSHIP SUMMARY

PHOTOGRAPHER: JOHN McCLELLAND

Members Snapshot June 30, 2022 Actuarial Valuation

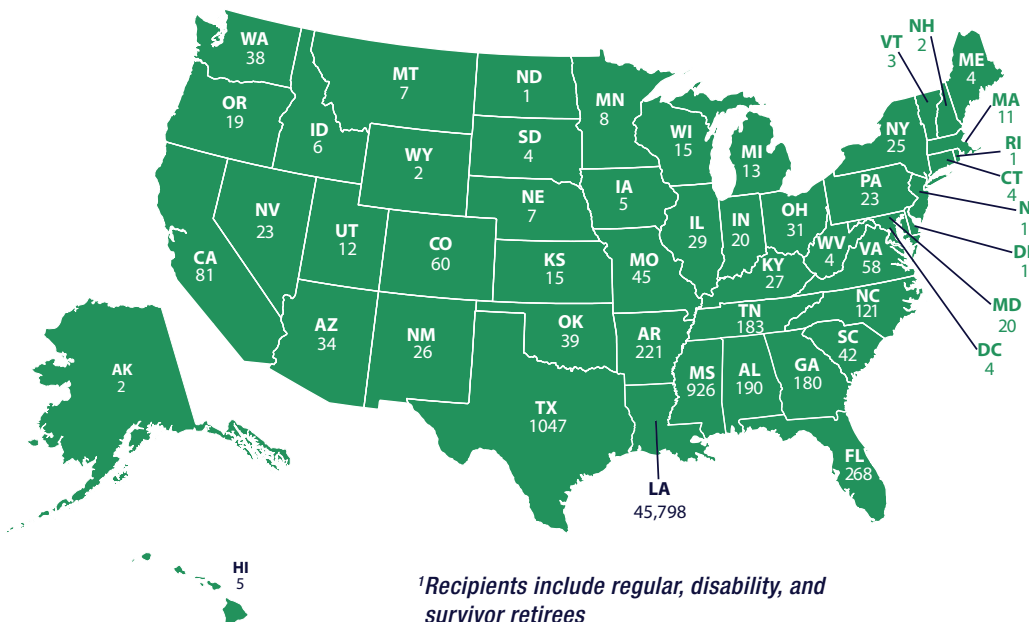
Active Members		Total Membership	
Average Age	45.8	Active	37,358
Average Years of Service	10.9	Retired	41,678
Average Annual Salary	\$53,461	Disability Retirees	1,918
DROP Accrual ⁱ		Survivors	6,151
Average Age	57.9	Terminated-Vested	3,868
Average Annual Benefit	\$38,152	Terminated-Nonvested	59,146
Retired Members		DROP Accrual	1,199
Average Age	71.2	Total	151,318
Average Annual Benefit	\$27,137		

ⁱDeferred Retirement Option Plan accrual which pertains to the participants contributing to the deferred retirement plan.

Membership Retiring During the Fiscal Year Ended June 30, 2022

Years Credited by Service Category	< 5	5-10	10-15	15-20	20-25	25-30	30+	All Members
Average Monthly Benefit	\$370	\$748	\$1,208	\$1,768	\$2,518	\$3,584	\$4,914	\$2,965
Final Average Monthly Compensation	\$3,694	\$3,776	\$4,024	\$4,235	\$4,666	\$5,414	\$6,409	\$5,065
Number of Retirees	4	85	228	237	312	405	396	1,667

Location of LASERS Benefit Recipients¹



American Samoa	1
Australia	1
Bulgaria	1
Canada	4
Colombia	2
France	1
Germany	1
Ghana	1
India	1
Korea	1
Mexico	1
Netherlands	1
Panama	1
Sweden	1
Thailand	1
Virgin Islands	1
TOTAL	20

¹Recipients include regular, disability, and survivor retirees

2022 Legislative Update

The 2022 Regular Session of the Louisiana Legislature resulted in the passage of the following legislation which impacts the Plan administered by LASERS:

ACT 656 - grants a one-time supplemental payment to certain eligible retirees and beneficiaries.

ACT 96 - provides relative to membership in the LASERS Hazardous Duty Services Plan.

ACT 170 - makes a supplemental appropriation of \$21.8 million to LASERS to apply to the balance of the initial unfunded accrued liability.

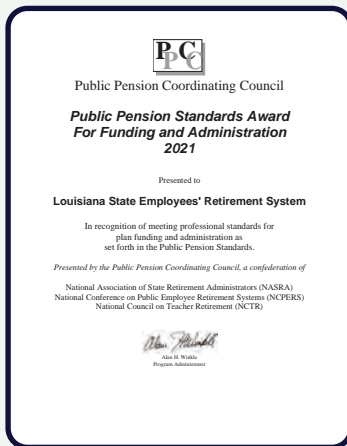
AWARDS: GFOA & PUBLIC PENSION STANDARDS

PHOTOGRAPHER: JEANIE RHEA



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, 2021. 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-third consecutive year that LASERS has received this award.



Public Pension Standards Award

LASERS received the Public Pension Coordinating Council's (PPCC) 2021 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 eighteenth 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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