

AMSTER
REPL COPY
NO. 455 6066 1416
Date Acquired:
Date from file:
Date last change:
Date in file:

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

COMPONENT UNIT FINANCIAL REPORT

JUNE 30, 1987

STATE OF LOUISIANA
LEGISLATIVE AUDITOR
OFFICE OF THE LEGISLATIVE AUDITOR
1000 BAYOU LAFAYETTE
MONROE, LOUISIANA 70132
PHONE (504) 386-3100
FACSIMILE (504) 386-3100

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **01-16-88**



LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM
COMPONENT UNIT FINANCIAL REPORT
JUNE 30, 1997



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORTS	
Report on Financial Statements	1 - 2
Report on Compliance and Internal Control Structure	3
FINANCIAL STATEMENTS	
Statements of Plan Net Assets	4
Statements of Changes in Plan Net Assets	5
Notes to Financial Statements	6 - 19
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Funding Progress	20
Schedules of Employer Contributions	20
Actuarial Methods and Assumptions	21
SUPPORTING SCHEDULES	
Schedules of Revenues by Source and Expenses by Type	22
Schedules of Administrative and Investment Expenses - Budget and Actual (GAAP Basis)	23
Schedules of Meetings Attended by and For Fees Paid to Board Members	24
Schedules of Investments at American Cies	25



Postlethwaite & Netterville

A Professional Accounting Corporation
CERTIFIED PUBLIC ACCOUNTANTS

MANORVILLE PLAZA BLDG., SUITE 1001 • BAYON BOULEVARD, LOUISIANA 70002 • TELEPHONE (504) 885-8888 • FAX (504) 851-1377

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Louisiana State Employees' Retirement System
Baton Rouge, Louisiana

We have audited the accompanying general-purpose financial statements of the Louisiana State Employees' Retirement System (LASERS), a component unit of the State of Louisiana, as of and for the years ended June 30, 1997 and 1996, as listed in the table of contents. These general-purpose financial statements are the responsibility of LASERS' management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, information regarding the Plan's net assets as of June 30, 1997 and 1996, and the changes therein for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 1997, on our consideration of LASERS' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

As discussed in Note B to the financial statements, in the year ended June 30, 1996, LASERS adopted Governmental Accounting Standards Board Statement No. 26, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The required supplementary information and supporting schedules listed in the foregoing table of contents, which are also the responsibility of the management of LANTIER, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. We have not audited the financial statements of LANTIER for any period prior to the year ended June 30, 1993. Accordingly, we do not express an opinion or any other form of assurance on any supplementary information prior to June 30, 1993.

Richard W. J. [Signature]

Dixon Range, Louisiana
September 23, 1993



Pastelthwaite & Netterville

A Professional Accounting Corporation
CERTIFIED PUBLIC ACCOUNTANTS

8008 UNITED PLAZA SUITE 1400 • BAYTON BOULEVARD • DUNBARIA 70009 • TELEPHONE (504) 837-8888 • FAX (504) 837-8117

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Louisiana State Employees' Retirement System
Baton Rouge, Louisiana

We have audited the general-purpose financial statements of Louisiana State Employees' Retirement System (LASERS), a component unit of the State of Louisiana, as of and for the year ended June 30, 1997, and have issued our report thereon dated September 23, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether LASERS' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LASERS' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Pastelthwaite & Netterville

Baton Rouge, Louisiana
September 23, 1997

LOUISIANA STATE EMPLOYERS' RETIREMENT SYSTEM

STATEMENTS OF PLANET ASSETS
JUNE 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
ASSETS		
Cash and cash equivalents (at fair value)	\$ 111,643,386	\$ 217,513,819
Receivables:		
Employer contributions	15,178,591	14,480,317
Member contributions	8,623,732	9,091,894
Interest and dividends	39,315,504	32,676,759
Investment proceeds	239,143,717	383,580,161
Open investment contracts	549,098,829	584,883,461
Other	1,084,782	287,826
Total receivables	<u>852,425,419</u>	<u>1,603,282,414</u>
Investments (at fair value):		
U.S. Government obligations	873,194,027	851,813,588
Bonds - Domestic	805,141,322	795,214,793
Bonds - International	412,186,354	452,349,786
Equity securities - Domestic	1,627,870,526	1,152,842,215
Equity securities - International	874,795,562	683,850,789
Real estate investments	804,511,319	628,669,343
Venture capital	44,581,329	24,868,581
Total investments	<u>4,718,291,040</u>	<u>3,969,869,021</u>
Property and equipment:		
Land	889,816	889,816
Building and improvements	4,781,483	4,788,820
Equipment	7,337,538	4,640,323
	<u>13,008,837</u>	<u>10,318,959</u>
Accumulated depreciation:		
Total property and equipment	<u>(4,893,042)</u>	<u>(4,249,215)</u>
TOTAL ASSETS	<u>5,681,354,941</u>	<u>5,219,169,751</u>
LIABILITIES		
Investment commitments payable	89,876,749	284,666,490
Accounts payable - open investment contracts	549,098,829	584,883,461
Accounts payable and other accrued liabilities	8,718,826	5,682,129
TOTAL LIABILITIES	<u>647,694,404</u>	<u>875,232,080</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$5,033,660,537</u>	<u>\$4,343,937,671</u>

A schedule of funding progress is presented on page 203.

The accompanying notes are an integral part of these statements.

LOUISIANA STATE EMPLOYERS' RETIREMENT SYSTEM

**STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
ADDITIONS		
Contributions:		
Employer	\$ 204,985,747	\$ 197,496,874
Member	<u>176,750,791</u>	<u>126,875,816</u>
Total contributions	<u>381,736,538</u>	<u>324,372,690</u>
Investment Income:		
Net appreciation (depreciation) in fair value of investments	549,183,236	560,659,866
Interest and dividends	282,938,886	193,208,831
Other investment income	<u>7,768,989</u>	<u>2,648,579</u>
	799,891,111	756,517,276
Less investment expense	<u>(32,140,892)</u>	<u>(3,218,452)</u>
Net investment income	<u>767,750,219</u>	<u>753,298,824</u>
Other Income	<u>8,983,353</u>	<u>29,518,719</u>
Total additions	<u>1,875,432,658</u>	<u>1,065,549,217</u>
DEDUCTIONS		
Retirement benefits	340,091,378	317,540,115
Refunds of member contributions	28,945,488	23,221,153
Administrative expenses	4,531,487	4,980,998
Other	<u>2,242,493</u>	<u>2,067,596</u>
Total deductions	<u>375,711,846</u>	<u>347,810,062</u>
NET INCREASE	708,660,753	558,539,017
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	<u>4,343,815,761</u>	<u>3,788,407,544</u>
End of year	<u>\$5,044,996,114</u>	<u>\$4,343,815,761</u>

The accompanying notes are an integral part of these statements.

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

A. PLAN DESCRIPTION

1. General Organization

The Louisiana State Employees' Retirement System ("LASERS" or the "System") is the administrator of a single-employer defined benefit pension plan and is a component unit of the State of Louisiana included in the state's CAFR as a pension trust fund. The System was established and provided for within Title 11 Chapter 481 of the Louisiana Revised Statutes (LRS).

In June 1991, the Governmental Accounting Standards Board issued Statement No. 14, *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 System 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 System. The System also determined whether there are organizations that are fiscally dependent on it. It was determined that there are no component units of the System.

2. Plan Membership

The System is one of several public retirement systems in Louisiana. Each has specific membership requirements established by legislation with LASERS established for state officers and employees and their beneficiaries. Other public employees report members who retained membership in LASERS upon a transfer to other public systems or as provided by specific legislation. A summary of government employees and members participating in LASERS at June 30, 1997 and 1998, follows:

Type of Employee	1997		1998	
	Number of Employees	Number of Members	Number of Employees	Number of Members
State Agencies	143	69,278	168	69,528
Other Public Employees	124	166	127	152
	<u>267</u>	<u>69,444</u>	<u>295</u>	<u>69,680</u>
 Type of Active Members				
Regular State Employees		62,865		63,489
Commission Employees		5,836		5,441
Judges		140		287
Wildlife Agents		186		141
Legislators		94		93
Active Employees - After DRDP		<u>743</u>		<u>143</u>
Total Active Members		<u>69,444</u>		<u>69,680</u>

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

A. PLAN DESCRIPTION (continued)

1. Plan Membership (continued)

As June 30, 1997 and 1996, membership consisted of:

	1997	1996
Retirees and beneficiaries currently receiving benefits	27,746	27,028
Terminated vested employees not yet receiving benefits	1,000	1,002
Deferred retirement option plan participants	2,762	2,700
Terminated nonvested employees who have not withdrawn contributions	12,613	11,765
Current active members	<u>68,041</u>	<u>68,695</u>
	<u>112,162</u>	<u>111,190</u>

2. Eligibility Requirements

All state employees, except certain classes of employees specifically excluded by Statute become members of the System as a condition of employment unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials and officials appointed by the governor may, at their option, become members of LAERSRS.

4. Retirement and Other Benefits

Retirement

The age and years of creditable service required in order for a member to retire with full benefits are established by Statute and vary depending on the member's employer and job classification. The substantial majority of members may retire with full benefits at ages ranging from age 50 on completing thirty years of creditable service, to age sixty upon completing ten years of creditable service. Effective January 1, 1996, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

The basic annual retirement benefit for substantially all members is equal to 2-1/12% of average compensation multiplied by the number of years of creditable service.

Average compensation is defined as the member's average annual earned compensation for the highest thirty-six consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or certain specified dollar amounts of actuarially determined maximum limits which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefit, a member may elect to receive his retirement benefits under any one of four different options providing for a reduced retirement benefit payable throughout his life with certain benefits being paid to his designated beneficiary after his death.

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

A. PLAN DESCRIPTION (continued)

4. Retirement and Other Benefits (continued)

A member leaving employment before attaining minimum retirement age but after completing certain minimum service requirements becomes eligible for a benefit provided the member lives to the minimum service retirement age and does not withdraw his accumulated contributions. The minimum service requirements for benefits vary depending upon the member's employer and service classification but generally is 30 years of service.

Deferred Benefits

The state legislature authorized the Louisiana State Employees' Retirement System to establish a Deferred Retirement Option Plan (DROPP). When a member enrolls in DROPP, his status changes from active member to inactive even though he continues to work at his regular job and draws his regular salary for a period of up to six years. During the DROPP participation period, the retiree's retirement benefits are paid into a special account. The election is irrevocable once participation begins. Interest at a rate of one-half percent less than the return's realized return on its portfolio will be credited after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits which have accumulated in the DROPP account. The DROPP program was designed to have no material effect on LRSERS' unfunded liability.

Employers participating in DROPP are currently 112 as June 30, 1990. Current membership in the DROPP program is 2,567 members as June 30, 1997 and 2,300 as June 30, 1998.

Effective January 1, 1996, members eligible to retire and who do not choose to participate in DROPP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits with an actuarial reduction of their future benefits. Such amount may be withdrawn or remain in the IBO account earning interest at the same rate as the DROPP account.

Retirement Incentive Legislation

By act of legislature early retirement was available for members who are elected after meeting certain requirements, and these benefits were actuarially equivalent to normal retirement. Effective August 31, 1993, this benefit is no longer available.

Disability Benefits

Substantially all members with ten or more years credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

A. PLAN DESCRIPTION (continued)

4. Retirement and Other Benefits (continued)

Survivors' Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age eighteen, or age twenty-three if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

Supplemental Benefit Adjustments

Current Statutes allow the Board of Trustees to make annual supplemental cost-of-living adjustments each year only when the actuary for the System and the State Legislative Auditor certify that LASERS is actuarially approaching actuarial soundness and if such cost-of-living adjustments are not enacted by the legislature. The cost-of-living adjustments may not exceed more than three percent in any year. These adjustments are computed on the base retirement or survivors' benefit. Benefit increases have occurred under the Statutes in various years since 1978 and have been limited to the three percent amount. In addition, several other cost-of-living adjustments or supplemental benefit payments have occurred in the past as a result of legislation, some being paid from investment income and others being paid from funds appropriated by the state legislature. The last cost-of-living adjustment from this source was granted on September 1, 1991.

At June 30, 1990, new legislation was passed which established a funding mechanism for future cost-of-living adjustments for retirees. An Employee Experience Account was created to set aside a portion of net experience gain as determined by LASERS' actuary. Funds accrue in the account until such time there are sufficient amounts to grant a cost-of-living adjustment. At June 30, 1996, the balance in this account was approx. \$104,815,000. At June 30, 1997, the balance in the account was approximately \$112,948,000.

LOUISIANA STATE EMPLOYERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

LASERS financial statements are prepared using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. Investment purchases and sales are recorded as of their trade date. State fund appropriations for supplemental benefits are recognized when drawn from the State Treasury. Employer and member contributions are recorded in the period the related salaries are earned. Administrative expenses are funded exclusively from investment earnings and are subject to budgetary control of the Board of Trustees. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

2. 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 assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Method Used to Value Investments

As required by GASB No. 25, *Financial Reporting for Defined Benefit Pension Plans and Net Deferred Annuity for Defined Contribution Plans*, investments are reported at fair value (FASB #25 was first adopted in year ended June 30, 1995). Short-term investments are reported at market value when published prices are available, or at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Mortgage securities are valued on the basis of estimated future principal and interest payments, and are discounted at prevailing interest rates for similar investments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

4. Property and Equipment

Land, building, equipment, and furniture are carried at historical cost. Depreciation is computed using the straight-line method based upon useful lives of 40 years for building and 3 to 15 years for equipment and fixtures.

LASERS is a 50% co-owner of the Louisiana Retirement Systems building and related land with Teachers' Retirement System of Louisiana and has the following issues with organizations that are included within the State of Louisiana as reporting entities:

Municipal Police Employees' Retirement System of Louisiana
Municipal Fire and Police Civil Service
Ethics Commission

LOUISIANA STATE EMPLOYERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Compensated Absence

The System pays a lump sum amount for a maximum of 200 hours of accrued personal leave upon termination of employment. Accumulated personal leave (including benefits) of employees directly related to the administration of the System is accrued in the financial statements when earned.

C. CONTRIBUTIONS

B. Member Contributions

Member contribution rates for the System are established by Louisiana Revised Statute 11:52. Member contributions are deducted from their salary and remitted to the System by participating employers. The rates in effect during the years ended June 30, 1997 and 1996, for the various types of members are as follows:

Type	% of Earned Compensation	
	1997	1996
Judges, court officers and legislators, the Governor and Lt. Governor	11.5%	11.5%
Clerk of the House of Representatives and Secretary of the Senate	9.5%	9.5%
Certain Departments of Corrections employees	9.0%	9.0%
Certain Department of Wildlife and Fisheries employees	8.5%	8.5%
All others	7.5%	7.5%

A savings account is established for member contributions less amounts transferred to reserves for retirement and amounts refunded to terminated members. If a member leaves covered employment on date back to any benefits become payable on his behalf, the accumulated contributions may be refunded to the member or his designated beneficiary. Similarly, accumulated contributions in excess of any benefits paid to a member or his survivors are refunded to the member's beneficiary or his estate upon cessation of any survivor's benefits.

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

C. CONTRIBUTIONS (continued)

1. Employer Contributions

Each employer is required to contribute a percentage of each employee's earned compensation to finance participation of its employees in LASERS. The employer's contribution rate is established under Louisiana Revised Statute 11:103-11:104 annually by the Actuarial Forecasting Committee as shown below for the years ended June 30, 1997 and 1996.

	<u>1997</u>	<u>1996</u>
Percent of members' earned compensation	12.4%	12.0%

The State's pension cost and net pension obligation to LASERS for the year ended June 30, 1997 is as follows:

Annual required contribution	\$120,804,844
Interest on net pension obligation	(318,000)
Adjustment to annual required contribution	<u> 2,862,033</u>
Annual pension cost-interest adjusted to end of year	223,348,877
Contributions made	(211,372,015)
Increase (decrease) in net pension obligation	9,976,862
Net pension obligation beginning of year	<u>(4,056,582)</u>
Net pension obligation end of year	<u>\$ 5,920,280</u>

The Annual Pension Cost (APC) has been adjusted with interest at the valuation rate to the end of the fiscal year in accordance with GASB's Statement No. 29.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	(Value in Millions)		
6/30/97	\$ 198,311,489	92.7	(\$ 5,920,280)
6/30/96	208,878,066	97.8	(4,056,582)
6/30/95	214,871,590	97.3	1,922,144



LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

C. CONTRIBUTIONS (continued)

3. Transfer of Service

Any Louisiana public retirement or pension system member who has six months of creditable service and who has membership credit in any other such system has the option of transferring all of this credit to member's current system. The transferring system is required to transfer to member's current system the greater of all employer and employee contributions plus interest compounded annually at the board approved actuarial valuation rate of the transferring system or the actuarial liability. In the event that the contributions transferred are less than the contributions which would have been made had the service been in his current system, the member has the option of either paying the difference plus interest or having his credited service determined based upon the amount of contributions transferred.

D. CASH AND INVESTMENTS

1. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	1997	1996
Cash and equivalents deposited at bank	\$ 27,033,973	\$ 25,329,618
Cash held at money managers account	360,914	17,037,043
Money market investments	88,380,498	175,120,618
	\$115,775,385	\$ 217,527,279

The deposit at the bank is collateralized by pledge of government securities and insured by the Federal Deposit Insurance Corporation.

The policy for these types of holdings are: short-term funds may be invested in direct U. S. Government obligations such as U. S. Treasury Bills or repurchase agreements which are fully collateralized by U. S. Treasury issues. Unless expressly prohibited by the Board, excess cash may be invested in the Short Term Investment Fund of the Catholic Fund or negotiable certificates of deposit, or other short-term investment vehicles designed by the Board.

Funds may be invested in commercial paper subject to the following guidelines: Only U. S. Dollar Denom covered paper of domestic companies will be used, paper must be rated P-1 by Moody's or A-1 by Standard and Poor's, but no lower by either. Prior approval shall be required for use of paper rated P-2 by Moody's or A-2 by Standard and Poor's. No more than \$10 million is to be invested in commercial paper of any one issuer.

The maximum maturity for commercial paper purchased with the cash reserves of any investment advice shall be established by each advisor. However, under no circumstances will commercial paper having a maturity of longer than 270 days be purchased without prior Board approval.

LOUISIANA STATE EMPLOYERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

B. CASH AND INVESTMENTS (continued)

2. INVESTMENTS

The investment powers of LASERS are authorized by State Senate, Title 11, Section 717 of the Louisiana Revised Statutes which states that the prudent man rule shall apply to all investments of LASERS. This law specifically assigns management of LASERS to exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence exercises in the management of large investments entrusted to it and in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income. The revised statutes also prohibit the system from investing more than 65% of its total portfolio in common stock. In addition, the Board of Trustees of LASERS has adopted certain investment policies, objectives, rules, and guidelines which are intended to protect and preserve LASERS' assets while providing an appropriate return for participants. LASERS' assets are divided among investment managers who were given a policy statement which established a real rate of return of at least 4% per annum in excess of the rate of inflation as measured by the consumer price index. The following summarizes the types of permissible investments under such objectives, rules and guidelines as of June 30, 1987:

Domestic Equity Securities

Domestic equity purchases are limited to common stocks traded over the counter or on a domestic stock exchange. Exceptions shall be approved by the Board in advance.

Basically, investment managers are limited to any one holding not to exceed 6% of market value of their managed portfolio. One manager is allowed to go to 8%. The purchase of stocks or convertible in foreign companies through American Depositary Receipts (ADR's), which are dollar denominated foreign securities traded on the domestic U.S. stock exchanges may be held by such domestic stock manager in proportion which each manager shall deem appropriate. Convertible bonds, convertible preferred stocks, warrants and rights may be purchased as equity substitutes so long as the common stocks underlying them meet the acquired equity standards aforementioned.

Equity securities, including domestic and international common stocks, are limited to 55% of the total assets of the System on a market basis as set by the policy of the Board of Trustees.

Domestic Debt Securities

Domestic fixed income investments may include U.S. Government and Federal Agency obligations, corporate bonds, debentures, commercial paper, certificates of deposit, Yankee bonds, mortgage backed securities and other instruments deemed prudent by the investment managers. No more than 20% of the market value of LASERS' domestic fixed income assets may be invested in the debt securities of any one issuer, except two managers may invest up to 30% of their portfolios. None of the above limitations on issues and issuers shall apply to obligations of U.S. Government and Federal Agencies as defined in the most current issue of Moody's Bond Manual.

International Investments

As part of its normal asset allocation for equity and fixed income securities, the System may invest a portion of its equity and fixed income allocations in international securities. International investments shall only be derived



LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

II. CASH AND INVESTMENTS (continued)

2. International Investments (continued)

Invest through the retention of a qualified investment management organization as consistent with fiduciary responsibilities. An international manager employing an active currency management program may, upon specific authorization of the Board, deal in futures and options within the discipline of that currency management program.

No one holding in an international equity portfolio shall account for more than 6% of the portfolio at market value or more than 5% of the outstanding common stock of any one corporation.

The global bond portfolio may hold no more than 30% of its assets, at market value, in the debt securities of any single foreign government or government entity. No single non-government debt security shall constitute more than 5% of the global bond portfolio, at market value.

Real Estate

Investments in real estate shall be limited to an initial investment value at market value of not more than 2% of total fund assets. Real estate investments are limited to: A direct investment in the property located at the intersection of Elysian Lane and United Plaza Boulevard in Baton Rouge, Louisiana, investments in commingled real estate pools (both open and closed end) or real estate investment trusts (REITs), and separately managed accounts.

The Board specifically authorizes the purchase of real estate related debt securities as a portion of the debt allocation portfolio to include securities issued by FNMA, FHLMC, and GNMA. Purchases other than those guaranteed by federal agencies cited above must be rated AAA by Standard and Poor's or A++ by Moody's.

Reserves for future real estate investments may be held in large capitalization U. S. equities, subject to the 5% limit on all equity investments.

Real estate investments consist of separate investments in commingled funds which develop and own commercial real estate in various metropolitan areas of the U.S. Income from these investments will consist of changes in market values of the underlying properties, lease income and capital gains.

Options

The system may employ an options management service with the objective of providing volatility protection on equity investments and an enhanced rate of return over time.

Private Capital Market Investments

Investments in Private Capital Market Investments shall be limited to an initial investment value at market value of no more than 4% of total fund assets. Reserves for future Private Capital Market Investments may be held in large capitalization U. S. equities, subject to the 5% limit on all equity investments.

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

B. CASH AND INVESTMENTS (continued)

2. INVESTMENTS (continued)

Other

Any type of investment other than detailed previously shall be made only after specific guidelines are established by the Board of Trustees.

Derivatives

LASERS invests in various mortgage-backed securities such as interest-only strips and principal-only strips. LASERS invests in interest-only strips, in part to maximize yields and in part to hedge against a rise in interest rates. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to pre-payment by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby pre-paying the mortgage underlying these securities, the cash flows from interest payments are reduced and the value of these securities declines. Conversely, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the investment would be higher than anticipated.

LASERS invests in principal only strips, in part to maximize yields and in part to hedge against a decline in interest rates. These securities are based on cash flows from principal payments on underlying mortgages. Therefore, they are sensitive to a rise in interest rates which cause the collection of principal payments to be extended longer than anticipated. Conversely, if interest rates decline and homeowners refinance mortgages, thereby pre-paying the mortgages underlying these securities, the principal payments would be earlier than anticipated.

LASERS enters into contractual commitments involving financial instruments with off-balance-sheet risk. These financial instruments include forward contracts, futures contracts and options contracts and are entered into to hedge against foreign exchange rate risk.

Forward and futures contracts are for the delayed delivery of securities and/or currencies in which the seller agrees to make delivery at a specified future date at a specified price or yield for cash. Risk arises from the possible inability of counterparties to meet the terms of contracts and from movements in market values and interest rates.

Options are contracts that allow the holder to purchase or sell financial instruments for cash at a specified price at or within a specified period of time. Options bear the risk of an unfavorable change in the price of financial instruments underlying the option and the risk that a counterparty is unable to perform in accordance with the terms of the option.

General

All investments of the System are registered in the System's name, or held by the custodial bank or its intermediaries in the System's name. The System's investments as June 30, 1997 and 1998, are categorized herein following to give an indication of the level of risk assumed by the entity. Category 1 includes

LOUISIANA STATE EMPLOYERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

B. CASH AND INVESTMENTS (continued)

1. INVESTMENTS (continued)

Investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent but not in the System's name. The categorization for the investments held at June 30, 1996, was the same as that shown herein following for investments held at June 30, 1997.

	Category			Carrying Amount (Fair Value) 6/30/97	Carrying Amount (Fair Value) 6/30/96
	1	2	3		
Corporate Bonds	\$ 885,141,525	-	-	\$ 885,141,525	\$ 792,714,793
Treasury Bonds	80,196,827	-	-	80,196,827	26,870,844
Government Agency Bonds	495,178,838	-	-	495,178,838	498,295,627
International Bonds	432,186,354	-	-	432,186,354	452,349,796
Treasury Notes	347,819,219	-	-	347,819,219	426,685,315
Domestic Common Stocks	1,627,670,328	-	-	1,627,670,328	1,152,842,117
International Common Stocks	824,796,262	-	-	824,796,262	683,830,589
Total categorized	\$ 4,361,189,062			4,361,189,062	3,830,891,060
Real Estate Pools				104,511,519	108,169,543
Venture Capital				44,581,329	24,869,592
Total Investments				\$ 4,710,281,910	\$ 4,964,929,195

The System is also authorized by policy to contractually loan securities to investment brokers. The contract for a security loan provides that LASERS loans specific securities from its holdings to the broker in return for collateral. Securities under loan are maintained on the System's financial records and are classified in the preceding summary of investment risk. As the System does not have the ability to trade or sell the collateral received in the securities lending program, such collateral is not considered an asset of the System and a corresponding liability is not reported on the statement of net plan assets. (See Note E)

The System has no investments of any single organization (other than those issued or guaranteed by the U. S. Government) that represents five percent or more of the System's net plan assets, nor does the System hold more than five percent of any corporation's stock.

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

11. CASH AND INVESTMENTS (continued)

2. INVESTMENTS (continued)

During fiscal years 1997 and 1996, the System's investments (including investments bought, sold, as well as held during the year) appreciated (depreciated) in value by \$485,187,126 and \$360,958,886, respectively.

This appreciation includes the following:

	1997	1996
Increase (decrease) in fair value of investments held at year end	\$ 253,866,416	\$ 191,568,584
Realized gains (losses) on investments sold	298,128,814	169,432,383
Unrealized gains (losses) on short-term investments	(\$ 485,000)	(\$ 30,000)
	<u>\$ 466,989,230</u>	<u>\$ 350,958,886</u>

12. SECURITIES LENDING PROGRAM

State statutes do not prohibit the System from participating in securities lending transactions, and the System has, pursuant to a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company ("State Street") to act as agent in lending the System's securities to broker-dealers and banks pursuant to a form of loan agreement. All investment assets are available for lending.

During the Fiscal Years, State Street lent, on behalf of the System, certain securities held by State Street in cash, and received cash (both United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt and irrevocable bank letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The System did not impose any restrictions during the Fiscal Years on the amount of the loans that State Street made on its behalf and State Street indemnified the System by agreeing to purchase replacement securities, or other cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. There were no such failures by any borrower to return loaned securities or pay distributions thereon during the Fiscal Years. Moreover, there were no loans during the Fiscal Years resulting from a default of the borrowers or State Street.



LOUISIANA STATE EMPLOYERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

E. SECURITIES LENDING PROGRAM (continued)

During the Fiscal Year, the System and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The average duration of such investment pool as of June 30, 1997 was 46 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 1997 the System had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the System as of June 30, 1997 were approximately \$761,000,000 and \$715,000,000, respectively.

F. OPEN INVESTMENT CONTRACTS

Open investment contracts include forwards and futures contracts for the delayed delivery of currencies as a future date. The amounts that clear within the same brokers/banks and consist of the same currency are offset. The receivables and payables include the same currencies clearing through different brokers/banks and LASERS has no right of offset. The System expects no significant loss or gain from these transactions.

G. REQUIRED SUPPLEMENTARY INFORMATION

In accordance with GASB No. 21, required supplementary information can be found in the attached schedule.

ENQUIRE SUPPLEMENTARY INFORMATION



LOUISIANA STATE EMPLOYERS' RETIREMENT SYSTEM**SCHEDULE OF FUNDING PROGRESS
FOR THE SIX YEARS ENDED JUNE 30, 1997**
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (c) = (AAL) (b - c)	Funded Ratio (d)	Covered Payroll (e)	Unfunded as a Percentage of Covered Payroll (f) = (c) / (e)
6/30/92	\$ 2,881,867	\$ 4,884,589	\$ 2,002,722	57.4%	\$ 1,454,371	140.1%
6/30/93	3,044,319	5,123,410	2,079,090	58.4%	1,504,147	138.2%
6/30/94	3,347,602	5,403,394	2,055,792	61.9%	1,586,865	132.9%
6/30/95	3,683,863	5,696,989	2,013,126	64.3%	1,547,977	131.3%
6/30/96	4,104,463	6,234,485	2,129,994	65.8%	1,584,297	135.1%
6/30/97	4,537,517	6,488,381	1,951,444	69.9%	1,687,371	121.4%

The total actuarial accrued liability determined using the Projected Unit Credit cost method increased by \$234,955,021 from June 30, 1996 to June 30, 1997. There was no change in benefit provisions during the year. There was a net experience gain of \$239,199,258 after allocating \$116,200,215 of excess investment income to the Experience Account in accordance with Act. 1001.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE SIX YEARS ENDED JUNE 30, 1997**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1992	\$ 188,662,505	105.5%
1993	183,507,210	98.5%
1994	189,566,536	98.7%
1995	196,551,080	103.5%
1996	204,562,677	99.3%
1997	212,221,189	98.4%

Analysis of the percentage contributed over a period of years will give a relative indication of the funding progress for the liabilities of the Louisiana State Employers' Retirement System.

The difference between the Annual Required Contributions and the Annual Pension Cost is the amortization payment for the Net Pension Obligation.

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL METHODS AND ASSUMPTIONS

(JUNE 30, 1987)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 1987
Actuarial cost method	Projected unit credit
Amortization method	Increasing annuity
Remaining amortization period	32 years
Asset valuation method	Books at amortized cost and all other investments based on a five year average market value
Actuarial assumptions:	
Investment rate of return	8.25% per annum ^a
Mortality	Mortality rates were projected based on the 1983 Sex Males Graduated Group Annuity Mortality Table with females set at attained age plus one.
Termination, disability and retirement	Termination, disability, and retirement assumptions were projected based on a five year (1981-1985) experience study of the System's members.
Salary increases	Salary increases which range between 4.25% and 11.75% were projected based on a five year (1981-1985) experience study of the System's members. ^a
Cost of living adjustments	None.

^aIncludes inflation at 3.00%.

SUPPORTING SCHEDULES

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF REVENUES, EXPENSES, AND EXPENSES BY FUND
FOR THE YEAR ENDED 2010-2011

REVENUES RECEIVED

Fund No.	Member Contributions	(1) Employee Contributions	Investment Income	Other Income	Total	(2) Annual General Fund		Percentage Used
						2010	2011	
1991	\$ 11,177,633	\$ 126,650,828	\$ 44,114,871	\$ 2,024,179	\$ 291,977,511	\$	\$ 1,111,091,289	0.3
1993	11,403,338	127,880,229	182,123,813	5,094,176	596,511,556		5,141,046,811	11.3
1995	11,500,472	151,770,049	141,270,049	6,094,071	590,634,639		3,230,063,007	7.8
1997	115,496,354	1,472,973,448	134,880,511	8,432,642	867,793,864		3,389,479,914	18.4
1998	108,078,431	208,872,489	271,490,124	15,743,484	804,264,528		3,474,176,144	14.1
1999	111,000,828	177,497,485	125,774,729	5,474,171	421,846,193		3,846,147,328	11.8
1994	118,200,381	185,588,495	134,470,464	61,004,124*	620,263,468		3,946,464,328	11.8
1995	124,070,898	197,656,474	141,470,464	20,148,109	683,388,945		3,818,379,969	11.8
1996	128,070,828	197,656,474	141,470,464	20,148,109	683,388,945		3,818,379,969	11.8
1997	135,793,381	256,985,747	191,991,514*	8,093,181	1,094,873,823		3,881,111,267	12.4

EXPENSES BY FUND

Fund No.	Benefits	Retirees	Administrative		Investments	Other	Total		Percentage Used
			2010	2011			2010	2011	
1991	\$ 193,014,892	\$ 26,700,428	\$ 1,928,249	\$ 444,000	-	-	\$ 202,091,289		
1993	214,463,481	26,880,428	2,428,249	871,800	-	-	264,174,958		
1995	214,068,189	26,880,428	2,477,049	971,100	-	-	264,496,766		
1997	248,821,125	25,900,000	3,649,894	1,881,981	-	-	280,352,900		
1998	241,813,481	25,900,000	3,649,894	4,219,273	928,000		276,579,188		
1994	275,921,729	21,728,224	3,139,274	5,911,799	295,714		305,986,680		
1993	275,921,729	21,728,224	4,375,226	8,118,479	978,178		311,202,686		
1995	289,484,125	25,872,126	4,760,482	9,068,471	1,723,974		319,139,678		
1996	317,386,118	27,022,126	4,990,949	10,213,432	2,097,944		364,579,652		
1997	348,924,178	28,900,489	4,931,487	11,143,899	2,140,441		400,916,798		

* Includes a payment from the New Orleans area branch of investment of Treasury Migration.

exp. 2010 21 was adopted in 1995 and applied retroactively to July 1, 1995. As a result, investment income includes net appreciation (depreciation) in the value of investments for 1995 and 1997 which can cause significant fluctuations. Prior to 1995, the actuary's report calls for investment counseling expenses in a schedule of investment income which differs from the financial statements which reflect such fees in investment expenses.

LOUISIANA STATE UNIVERSITY - BIOMETRIC SYSTEMS
 SOURCE: BUDGETARY STATEMENTS AND FINANCIAL
 STATEMENTS. BUDGET AND ACTUAL APPROPRIATE BARS

FOR THE YEAR ENDED JUNE 30, 1997 AND 1998

	1997		1998		Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
	Actual	Budget	Actual	Budget				
Administrative expenses:								
Salaries and related benefits	\$ 2,995,999	\$ 2,776,335	\$ 3,981,899	\$ 2,985,247	\$ 81,658			
Travel	150,651	222,670	90,630	210,987	129,277			
Operating services	1,850,561	1,898,878	1,123,899	2,000,293	882,398			
Supplies	132,399	146,800	117,379	148,000	31,621			
Professional services	833,141	3,681,815	3,977,874	971,582	418,438			
Capital expenditures *	2,458,212	2,654,625	463,585	2,155,961	1,281,474			
Total budget and actual expenditures	7,215,682	11,381,503	4,158,866	4,354,974	3,399,723			
Capitalization of capital outlay *	(2,498,212)	(2,498,699)	(8,532)	(2,155,961)	1,291,479			
Total administrative expenses	\$ 4,717,470	\$ 8,882,804	\$ 4,150,334	\$ 2,200,013	\$ 1,956,623			
Investment expenses	\$ 23,153,293	\$ 14,988,000	\$ 19,850	\$ 14,100,000	\$ 781,293			

* Includes 1999 and \$1,000 in 1997 and 1998, respectively, of operating service expenses for capitalization for the jointly owned building.

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

**SCHEDULES OF MEETINGS ATTENDED BY AND
PER DIEM PAID TO BOARD MEMBERS**

FOR THE YEARS ENDING JUNE 30, 1997 AND 1998

	1997		1998	
	Number of Meetings	Amount	Number of Meetings	Amount
Cynthia Bridges	12	\$ 900	12	\$ 900
Virginia Burton	12	900	12	900
Mary Young Cannon	12	900	12	900
Lella Smith Dedebo	12	900	12	900
Barry Harris	9	675	6	450
Frank Johnson, Jr.	12	900	12	900
Barbara McManus	9	675	10	750
Irvin Buzine-Mitchel	-	-	6	450
Louis Quinn, Chairman	11	825	10	750
Kathy Singleton	12	900	6	450
Cheryl C. Turner	-	-----	7	525
Total		\$ 7,515		\$ 7,815

Note - No Per Diem was paid for special meetings.

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

SCHEDULES OF INVESTMENTS AT AMORTIZED COST

FOR THE YEARS ENDED JUNE 30, 1997 AND 1996

	<u>6/30/97</u>	<u>6/30/96</u>
Corporate Bonds	\$ 780,912,688	\$ 387,426,880
Treasury Bonds	29,891,199	26,911,204
Government Agency Bonds	515,580,314	525,617,738
International Bonds	431,740,000	449,341,249
Treasury Notes	346,530,857	426,354,533
Domestic Common Stocks	1,997,613,597	921,515,676
International Common Stocks	652,506,281	518,219,281
Real Estate Pools	94,258,718	99,950,183
Venture Capital	<u>48,315,175</u>	<u>24,228,559</u>
Total	<u>\$ 4,069,770,828</u>	<u>\$ 3,574,385,303</u>