
 **Summary**

 **Annual**

 **Report**

Year Ended June 30, 1999

**Louisiana State Employees'
Retirement System**



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December 31, 1999

Dear Members;

Presented in the following pages is the 1999 Summary Annual Report for the Louisiana State Employees' Retirement System (LASERS). The goal of this report is to provide understandable answers to common questions such as what is LASERS, where does LASERS get its funding and how is that money spent. Additional membership and investment information is also provided.

The Louisiana Legislature established LASERS in 1946 as a trust fund to provide retirement and other benefits for state officers, employees, and beneficiaries. As of June 30, 1999, the trust fund has grown to total assets in excess of \$6 billion. For 1999, LASERS had revenues of \$833,788,969 with expenditures of \$438,607,862. The three primary sources of funding for LASERS are employee contributions, employer (state) contributions, and investment earnings. Additional detailed information is provided in this report, including the financial statements.

Our actuarial rate of return on investments was 13.10% for 1999. These results bring LASERS' total funding level to 73.5%, up from 72.9% at June 1998. LASERS' actuarial funding percentage continues to increase even though the number of retirees and the amounts paid to the retirees continue to grow. We remain on schedule to be fully funded by 2029.

In 1999, legislation was passed to provide a permanent mechanism and guidelines for cost-of-living adjustments (COLA), which further enhances benefits of the system to our members. It provided a 1.6% average increase for our retirees and an additional \$365,143,591 remains in the Employee Experience Fund for additional future security for our retirees.

BOARD OF TRUSTEES:	Kathy Singleton, Chairman Cynthia Bridges Virginia Burton	Mary Young Cannon Ken Duncan Benny G. Harris	Sen. Francis C. Heitmeier Frank Jobert, Jr. Barbara McManus	Louis S. Quinn Rep. Victor "Vic" Stelly Sona Young	Glenda T. Chambers, Executive Director
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Success in our investment strategy and performance is necessary for LASERS to meet its goals. To improve our overall performance, LASERS has embarked on a comprehensive long-term strategic plan for Investments that seeks to enhance its competitive position. A key component of the plan is the reduction of investment management fees and brokerage transaction costs while enhancing internal controls. This plan will likely result in the continued increased use of LASERS' existing resources to manage passive strategies internally.

The following pages give a brief overview of LASERS' membership composition, sources of revenue, operating expenses, investment strategy, actuarial rates of return, and funding schedule. Each of the above mentioned overviews has an accompanying graph to better portray the important aspects of each topic.

We trust you will find this information, as well as the additional sources, to be both interesting and informative. We look forward to being of continued service to you, our members.

Sincerely,

Glenda Chambers
Executive Director

Robert Borden, CFA
Chief Investment Officer

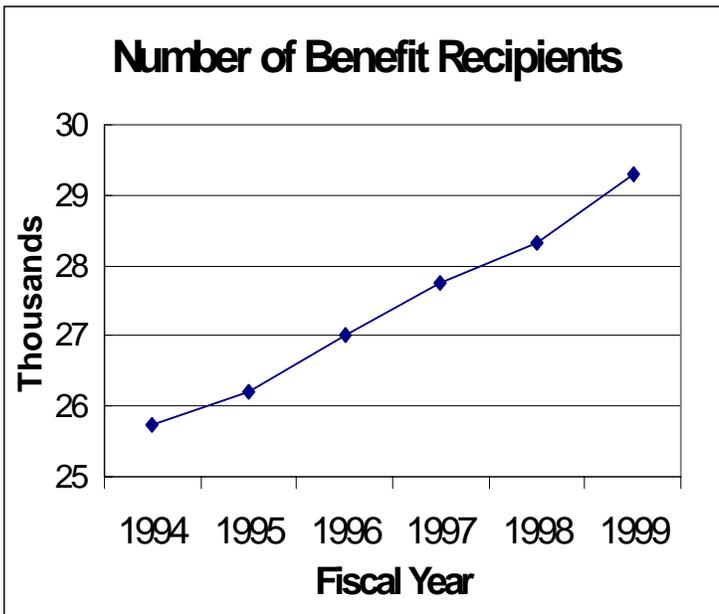
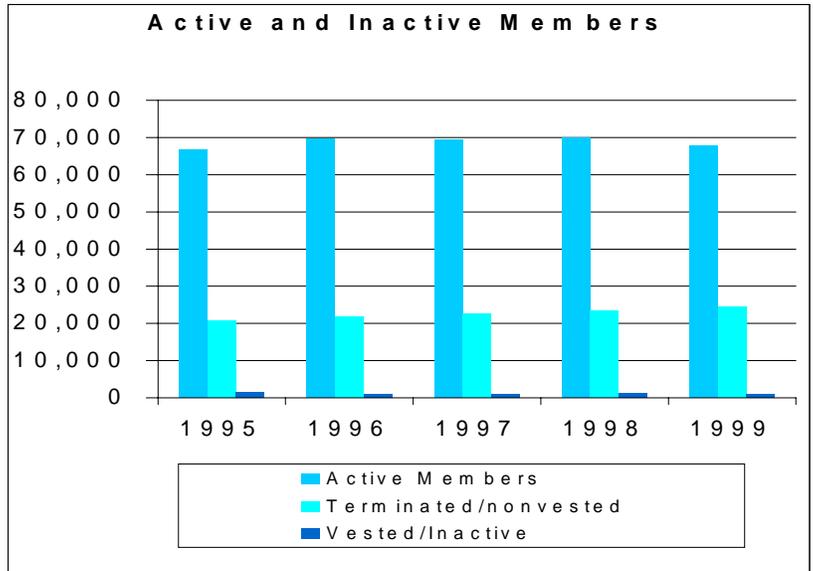
Wade H. Adams, CPA
Chief Fiscal Officer

Louisiana State Employees' Retirement System (LASERS)

Membership Composition

Membership in LASERS is mandatory for all state employees whose employing agencies are LASERS participants, except those individuals specifically exempted by state law.

Since 1994, total membership has increased from 115,682 to 124,703. At June 30, 1999, there were 67,680 active members, 1,027 vested/inactive members, 24,397 terminated/non-vested members, 23,124 regular retirees, and 8,475 DROP, survivor, or disability members receiving benefits.



As the above graph indicates, the number of recipients is rising yearly. In 1999, LASERS' average monthly benefit totaled \$1,061, an increase from \$1,005 in 1998.

At LASERS, there are four types of benefits for members: regular, disability, survivor, and deferred retirement (DROP). To be eligible to receive retirement benefits, regular members must meet one of the following requirements:

- 30 years service at any age
- 25 years service at age 55
- 10 years service at age 60
- 20 years service, at any age with an actuarially reduced benefit.

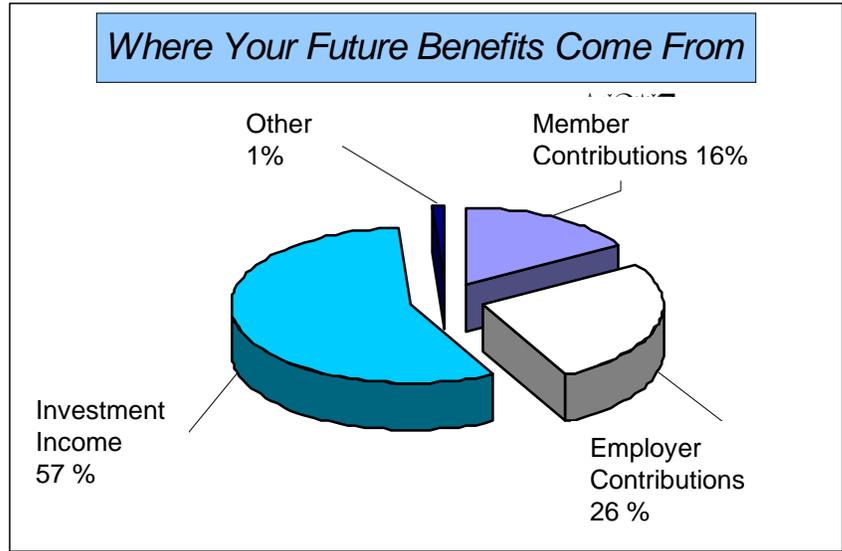
There are different contributions and retirement eligibility requirements for special groups of employees. These groups include: Correctional Officers, Wildlife and Fisheries Agents, Judges and Officers of the Court, and Legislators and certain legislative employees.

Louisiana State Employees' Retirement System (LASERS)

Sources of Revenues and Expenditures

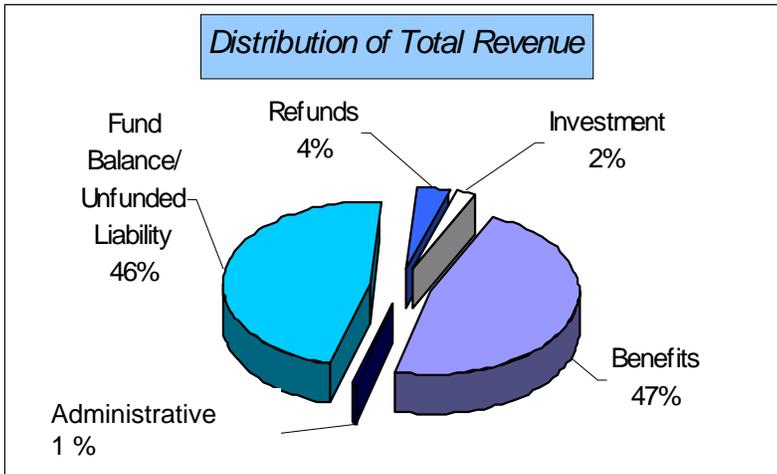
LASERS has three main sources of revenue. The graph to the right shows that investment income, member contributions, and employer contributions make up 99% of LASERS' revenue.

In 1999, net investment income was the largest revenue source, contributing \$470,204,749 of the total \$833,788,969 net revenue. This means that the majority of your future retirement benefits are funded by LASERS' investments.



In 1999, \$397,966,405, or 47% of total revenue, was used to pay retirement benefits, and 4% was used to refund contributions to terminated employees.

Expenditures related to investment management used 2% of total revenue, while administrative and miscellaneous costs were less than 1%.



The remaining \$395,181,107, or 46%, was applied to our fund balance to help reduce our unfunded accrued liability (UAL) which is further discussed in the Funding Schedule shown on the following page.

Maintaining our low operating costs without sacrificing services is a major goal at LASERS.

The following table gives a brief description of what makes up our administrative costs:

Administrative Expenses:	<u>Actual</u>	<u>Budget</u>
Salaries and Related Benefits	\$ 3,278,522	\$ 3,308,022
Travel	\$ 116,270	\$ 254,702
Operating Services	\$ 1,400,486	\$ 2,028,569
Supplies	\$ 148,371	\$ 170,937
Professional Services	\$ 1,067,656	\$ 2,186,787
Total Administrative Expenses:	\$ 6,011,305	\$ 7,949,017

Louisiana State Employees' Retirement System (LASERS)

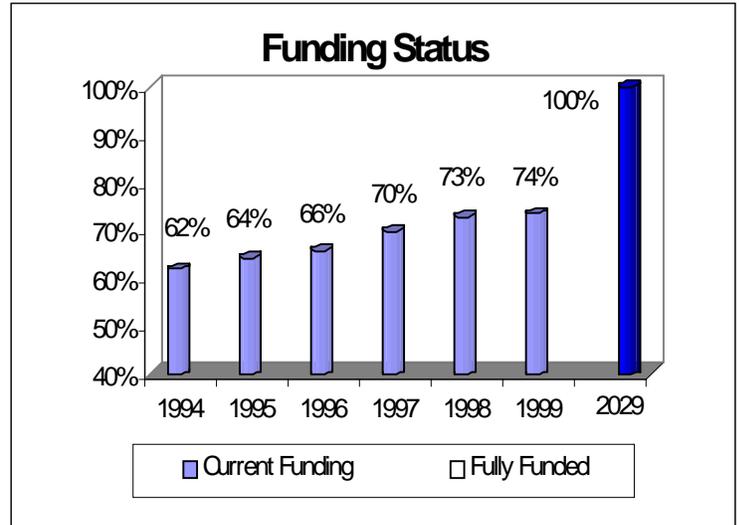
Funding Schedule

As the graph illustrates, there are currently insufficient Trust funds to pay 100% of total estimated future retirement payments, creating an "unfunded accrued liability" (UAL). LASERS' UAL was created when individuals were previously allowed into LASERS without sufficient funding required for future benefits.

However, Act 81 of the 1988 Legislature provides requirements for the State of Louisiana to make the necessary payments over a forty-year period to eliminate the UAL by the year 2029. This mandate increased employer contributions. The effects of this law along with LASERS' successful investment strategies have resulted in the unfunded accrued liability declining in recent years.

At the end of 1999, LASERS' funding level was 74%. In the past six years, LASERS has

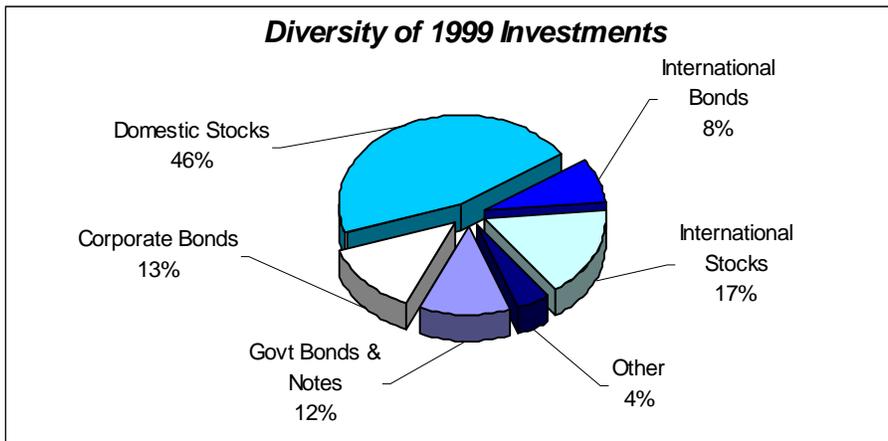
increased its funded status significantly, and as the graph portrays, we are on target to become fully funded by 2029.



Investment Strategy

By employing a diverse investment strategy, LASERS minimizes the risk to your Trust Fund, while striving to surpass our 8.25% actuarial rate of return target.

In fact, LASERS' investment portfolio has returned an average actuarial investment rate of 12.37% over the last five years.



To provide additional security of your trust funds, LASERS has established certain restrictions on investments. For example, we cannot invest more than 65% of total assets in the stock markets and cannot hold more than 5% of any one company's outstanding stock. Guidelines such as these provide the structure for a successful portfolio.

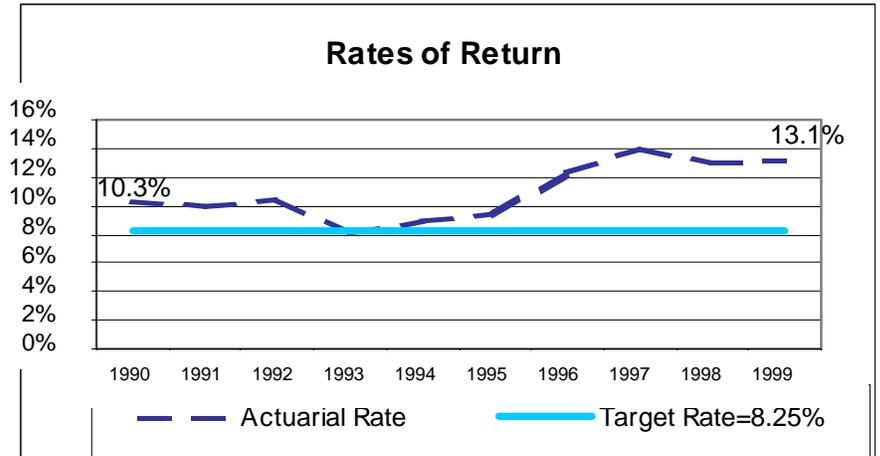
Louisiana State Employees' Retirement System (LASERS)

Actuarial vs. Target Rate of Return

In nine of the past ten years, LASERS has surpassed its 8.25% target rate of return. During 1998-1999, LASERS reached an actuarial rate of return of 13.10%.

LASERS' actuarial rates of return for the past ten years can be viewed in the graph.

Years in which the actuarial rate of return exceeds the target rate of return are very meaningful years for LASERS' members. In these years, one-half of the amount over the target rate of return is utilized in the actuarial calculations for the following year's employer contribution rate. The other half is



applied to LASERS' Experience Account, which is further described in the next section.

Employee Experience Account

In 1992, the Legislature enacted laws to provide a separate actuarial fund to accumulate 50% of the excess investment gain or loss relative to the actuarial valuation rate of 8.25%.

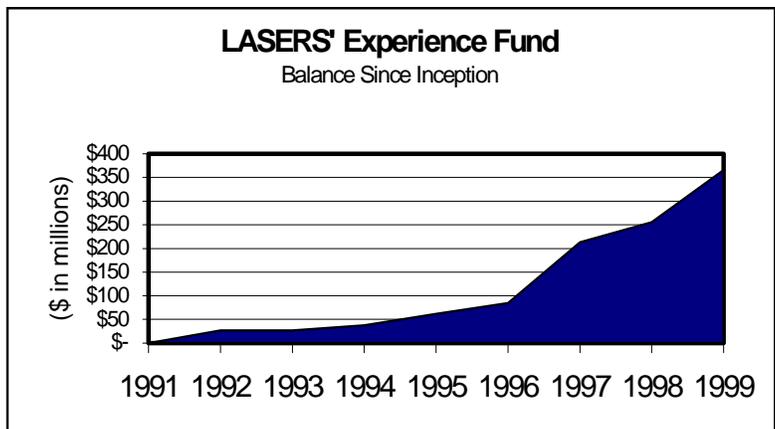
In 1999, additional legislation provided specific guidelines of how this fund shall be used to grant a cost-of-living adjustment (COLA) to retirees, survivors, and beneficiaries.

The prescribed COLA amount is based on the consumer price index for the previous year, not to exceed 2% annually. This can only be done when the balance in the employee experience account is sufficient to fully fund such COLA on an actuarial basis.

This legislation resulted in a July 1, 1999 COLA averaging 1.6% at a fully

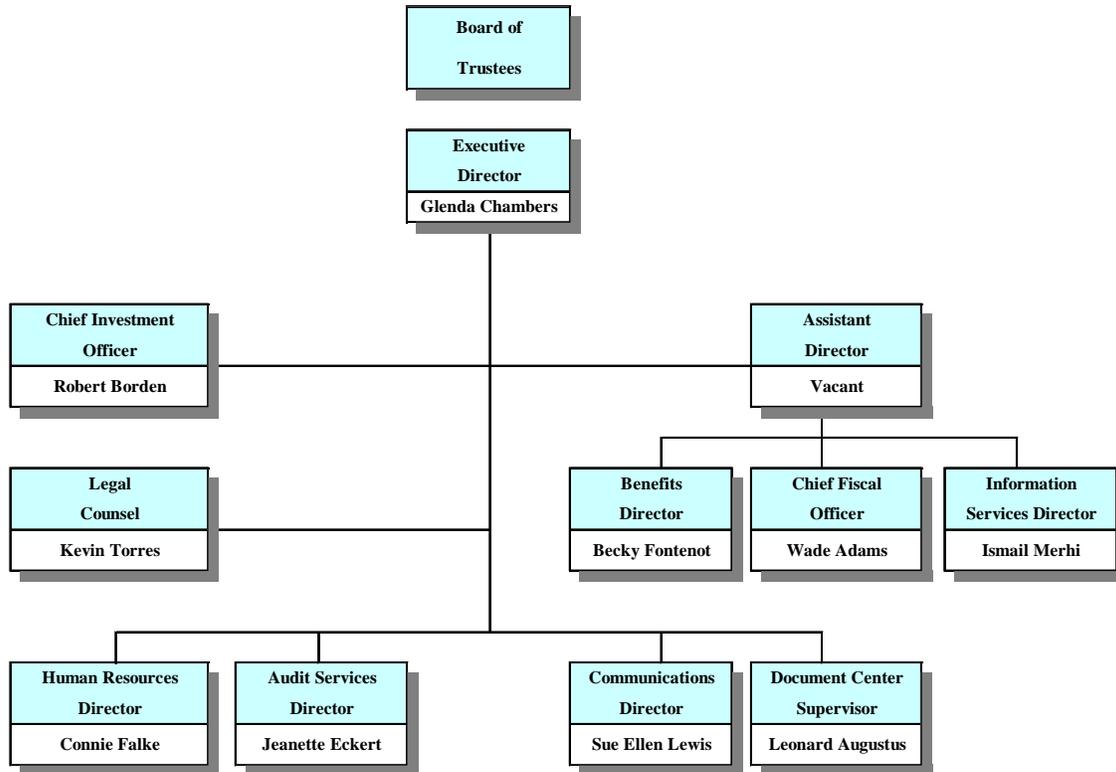
funded actuarial cost of \$42,915,713. After providing this COLA, the fund balance, as of June 30, 1999, was \$365,143,591.

The graph shows the history of the accumulation of this fund. Prior to the 1999 Act, the Fund has been used to provide a COLA in 1996 and 1998.



Louisiana State Employees' Retirement System (LASERS)

ORGANIZATIONAL STRUCTURE



A Board of Trustees oversees LASERS' operations. It consists of twelve members, nine of which are elected by the members. Of these nine, six are active members and three are retirees of the System. The remaining three members of the Board are the Chairman of the House Retirement Committee, the Chairman of the Senate Retirement Committee, and the Treasurer of the State of Louisiana. LASERS' nine elected trustees serve four-year staggered terms, with members electing trustees every two years to fill vacancies. Trustees are currently limited to three consecutive terms. Board meetings are open to the public and generally are held during the fourth week of each month on the fourth floor of the Retirement Systems Building in Baton Rouge.

The Board of Trustees appoints the System's executive director, assistant director, and chief investment officer. The Executive Director is the chief administrative officer and supervises a staff of approximately 90 employees.

Louisiana State Employees' Retirement System (LASERS)

STATEMENT OF PLAN NET ASSETS

	<u>1999</u>	<u>1998</u>
ASSETS		
Cash and cash equivalents (at fair value)	\$ 33,613,748	\$ 30,332,484
Receivables:		
Employer contributions	16,246,444	17,254,232
Member contributions	10,055,069	10,190,069
Interest and dividends	36,759,025	36,490,591
Investment proceeds	78,061,317	26,110,251
Open investment contracts	166,183,868	177,039,592
Other	1,740,666	2,854,399
Total receivables	<u>309,046,389</u>	<u>269,939,134</u>
Investments (at fair value):		
Short-term investments - Domestic	53,850,549	22,522,764
Short-term investments - International	27,682,128	28,601,472
U. S. Government obligations	723,487,323	758,622,140
Bonds/Fixed Income - Domestic	786,967,309	774,756,436
Bonds/Fixed Income - International	493,529,244	432,970,518
Equity securities - Domestic	2,586,739,268	2,406,345,625
Commingled equity trust - Domestic	115,176,657	48,008,824
Equity securities - International	975,864,702	886,617,386
Real estate investments	67,281,259	98,519,463
Alternative Investments	117,148,756	64,347,425
Total investments	<u>5,947,727,195</u>	<u>5,521,312,053</u>
Property and equipment:		
Land	889,816	889,816
Building and improvements	4,874,328	4,839,405
Equipment	7,314,400	9,496,701
	<u>13,078,544</u>	<u>15,225,922</u>
Accumulated depreciation	(6,131,322)	(5,418,444)
Total property and equipment	<u>6,947,222</u>	<u>9,807,478</u>
TOTAL ASSETS	<u>6,297,334,554</u>	<u>5,831,391,149</u>
LIABILITIES		
Investment commitments payable	118,313,904	31,193,251
Accounts payable - open investment contracts	166,183,868	177,039,592
Accounts payable and other accrued liabilities	9,248,047	14,750,678
TOTAL LIABILITIES	<u>293,745,819</u>	<u>222,983,521</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 6,003,588,735</u>	<u>\$ 5,608,407,628</u>

Louisiana State Employees' Retirement System (LASERS)

STATEMENT OF CHANGE IN PLAN NET ASSETS

	<u>1999</u>	<u>1998</u>
ADDITIONS		
Contributions:		
Employer contributions	\$ 218,929,941	\$ 219,680,934
Member contributions	135,479,230	129,724,456
Total contributions	<u>354,409,171</u>	<u>349,405,390</u>
Investment Income:		
Net appreciation in fair value of investments	288,197,600	416,577,203
Interest and dividends	195,863,544	202,065,626
Other investment income	2,215,401	3,736,407
	<u>486,276,545</u>	<u>622,379,236</u>
Less investment expense	<u>16,071,796</u>	<u>17,162,772</u>
Net investment income	<u>470,204,749</u>	<u>605,216,464</u>
Other income	<u>9,175,049</u>	<u>10,177,305</u>
Total additions	<u>833,788,969</u>	<u>964,799,159</u>
DEDUCTIONS		
Retirement benefits	397,966,405	359,625,826
Refunds of member contributions	31,851,567	32,156,373
Administrative expenses	6,011,305	6,703,504
Other	2,778,585	2,501,942
Total deductions	<u>438,607,862</u>	<u>400,987,645</u>
NET INCREASE	395,181,107	563,811,514
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	<u>5,608,407,628</u>	<u>5,044,596,114</u>
End of year	<u>\$ 6,003,588,735</u>	<u>\$ 5,608,407,628</u>

Additional Information

The LASERS Web Site, <http://www.lasers.state.la.us>, contains additional details on each topic presented. It also contains more detailed information selected for our Comprehensive Annual Financial Report (CAFR) and our complete annual independent auditor's report. Check your public library for access to the Internet.

A complete copy of the CAFR can be reviewed at any parish library, or at the State Library in Baton Rouge. A complete copy may be purchased at our cost by contacting our office.

This report condenses and simplifies our 1999 CAFR and is intended to be a supplement to the CAFR, not a replacement. The CAFR conforms to generally accepted accounting principles (GAAP). While the information for this report was taken from our CAFR, it is presented in a non-technical format for ease of understanding.

We have submitted our 1999 CAFR for review under the Government Financial Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting. Additionally, we have submitted this Summary Annual Report to the GFOA's Popular Annual Financial Report (PAFR) program. The PAFR is designed to present information regarding the financial condition of LASERS in a user-friendly format.