

REPORT
STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2015 AND 2014

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
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JUNE 30, 2015 AND 2014

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September 22, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Louisiana School Employees' Retirement System (the System), a component unit of the State of Louisiana, which comprise the statements of fiduciary net position as of June 30, 2015 and 2014, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Louisiana School Employees' Retirement System as of June 30, 2015 and 2014, and the results of its operations and changes in fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 4 to the financial statements, the total pension liability for State of Louisiana School Employees' Retirement System was \$2,485,583,187 and \$2,438,251,413 as of June 30, 2015 and 2014, respectively. The actuarial valuations were based on various assumptions made by the System's actuary. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total pension liability at June 30, 2015 and 2014 could be understated or overstated.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the index to report be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The other supplementary information as listed in the index to report is presented for purposes of additional analysis and is not a part of the basic financial statements. The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2015 on our consideration of the State of Louisiana School Employees' Retirement System's internal control over financial reporting and on our test of compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting of the State of Louisiana School Employees' Retirement System.

Duplantier, Hrapmann, Hogan & Maher, LLP

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

The following is management's discussion and analysis of the financial performance of Louisiana School Employees' Retirement System (the System) (LSERS). It is presented as a narrative overview and analysis for the purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the current year.

FINANCIAL HIGHLIGHTS

- The System experienced net investment gains of \$54,091,029 at June 30, 2015; this is an 80% decrease from net investment gains of \$268,947,156 at June 30, 2014. This decrease in investment gains is attributed to a decrease in global equity market returns. In fiscal year 2015, the System achieved an annual return of 3.13%, as compared to 17.16% for fiscal year 2014. The largest and most notable portion of the gain came from U.S. equities and core real estate.
- Member contributions decreased by \$1,284,590 or 6%. The decrease is attributable to an increase in the aggregate number of retirees and an increase of 23% for DROP members. The retiree replacements are generally hired at a lower salary rate and the increase in DROP participants reflects a decrease in member contributions since DROP participants do not contribute while in DROP.
- Employer contributions decreased by \$459,438 or 1%, resulting from an increase in the aggregate number of retirees. The retiree replacements are generally hired at a lower salary rate. The employer contribution rate established by the System's actuary and approved by the Public Employees' Retirement Systems Actuarial Committee is projected a year in advance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the System's basic financial statements, which are comprised of three components:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

The report also contains required supplemental information in addition to the basic financial statements themselves.

The statements of fiduciary net position provide the pension fund's assets, liabilities, and results in the net position restricted for pension benefits. They disclosed the financial position of the System as of June 30, 2015 and 2014.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

The statements of changes in fiduciary net position report the results of the pension fund operations during the year, disclosing the additions to and deductions from the fiduciary net position. It supports the change that has occurred to the prior year's total net position on the statement of fiduciary net position.

LSERS FINANCIAL ANALYSIS

LSERS provides retirement benefits to all eligible school bus drivers, school janitors, school custodians, school maintenance employees, school bus aides, or other regular school employees who actually work on a school bus helping with the transportation of school children. Member contributions, employer contributions and earnings on investments fund these benefits.

Statements of Fiduciary Net Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash	\$ 47,855,816	\$ 46,565,272
Receivables	24,535,925	29,623,918
Investments	1,860,308,477	1,791,250,561
Collateral held under securities lending	179,300,866	177,754,861
Property and Equipment	3,102,982	3,158,978
Other assets	459,878	507,730
Total Assets	<u>2,115,563,944</u>	<u>2,048,861,320</u>
Total Liabilities	<u>264,107,763</u>	<u>191,494,264</u>
Net Position – Restricted for Pension Benefits	<u>\$ 1,851,456,181</u>	<u>\$ 1,857,367,056</u>

Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2015 and 2014

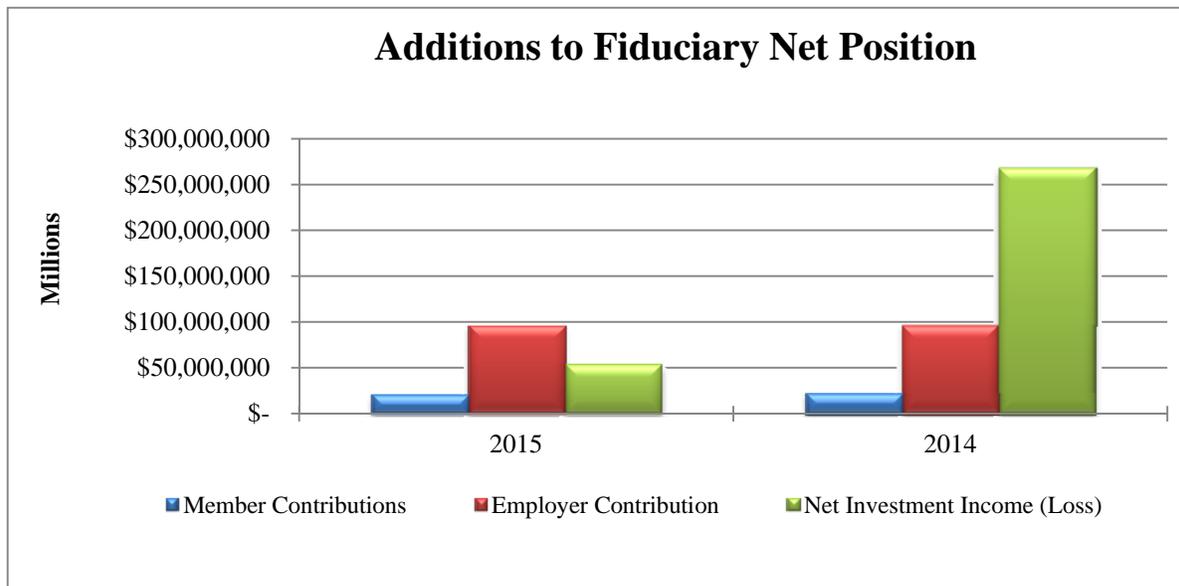
	<u>2015</u>	<u>2014</u>
Additions:		
Contributions	\$ 117,134,201	\$ 118,878,229
Investment Income	54,091,029	268,947,156
Total Additions	<u>171,225,230</u>	<u>387,825,385</u>
Total Deductions	<u>177,136,105</u>	<u>171,623,212</u>
Change in Fiduciary Net Position	<u>\$ (5,910,875)</u>	<u>\$ 216,202,173</u>

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

ADDITIONS TO FIDUCIARY NET POSITION

Additions to LSERS fiduciary net position were derived from member and employer contributions and net investment income. Employer contributions decreased \$459,438 or 1% while member contributions decreased \$1,284,590 or 6%. The System experienced net investment income of \$54,091,029 for the fiscal year ending June 30, 2015 as compared to net investment income of \$268,947,156 for fiscal year ending June 30, 2014. This decrease in net investment income was attributed to fiscal year 2015 performance of 3.13% as compared to performance of 17.16% in fiscal year 2014. On June 30, 2015 and 2014, the market values of investments were \$1.860 billion and \$1.791 billion, respectively. The difference in market value reflects an increase of \$69 million.

<u>Additions to Fiduciary Net Position</u>	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease) Amount</u>	<u>Increase (Decrease) Percentage</u>
Member Contributions	\$ 20,892,375	\$ 22,176,965	\$ (1,284,590)	(6)%
Employer Contributions	96,241,826	96,701,264	(459,438)	(1)%
Net Investment Income	<u>54,091,029</u>	<u>268,947,156</u>	(214,856,127)	(80)%
Total	<u>\$ 171,225,230</u>	<u>\$ 387,825,385</u>		



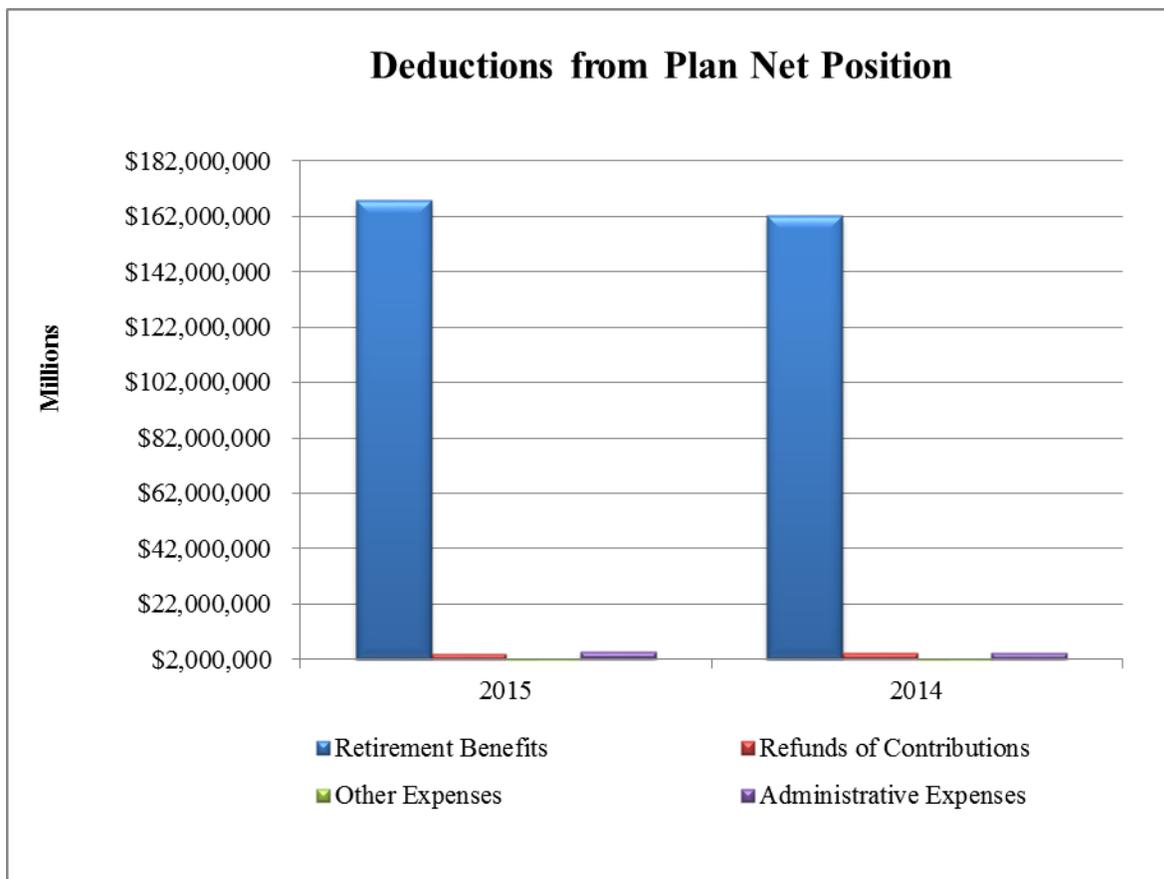
DEDUCTIONS FROM FIDUCIARY NET POSITION

Deductions from fiduciary net position include mainly retirement, death and survivor benefits, refunds of contributions and administrative expenses. Deductions from fiduciary net position totaled \$177,136,105 in fiscal year 2015. The deductions increased 3% due to an increase in the aggregate number of retirees and the corresponding increase in pension benefits payable. A cost-of-living adjustment (COLA) of 1.5% to eligible retirees and beneficiaries was effective July 1, 2014 resulting from Act 103 for the 2014 Regular Legislative Session.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

The cost of administering LSERS benefits per member during 2015 was \$157.

<u>Deductions from Fiduciary Net Position</u>	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease) Amount</u>	<u>Increase (Decrease) Percentage</u>
Retirement Benefits	\$ 167,617,424	\$ 162,219,637	\$ 5,397,787	3%
Refunds of Contributions	4,213,790	4,389,704	(175,914)	(4)%
Administrative Expenses	4,728,730	4,444,879	283,851	6%
Other Expenses	<u>576,161</u>	<u>568,992</u>	7,169	1%
Total	<u>\$ 177,136,105</u>	<u>\$ 171,623,212</u>		



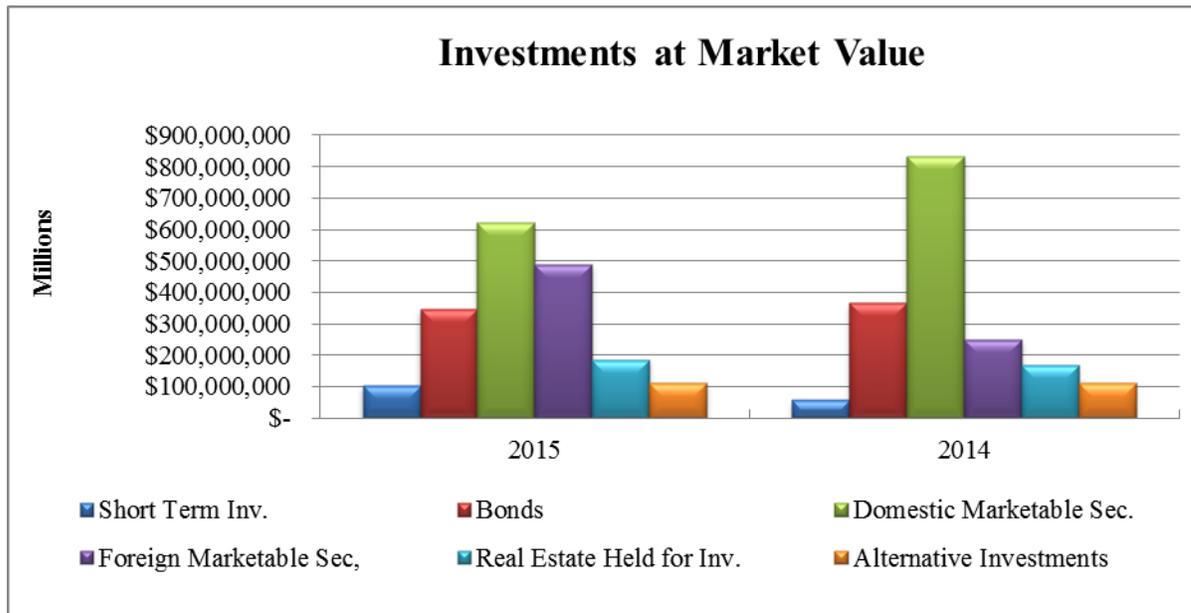
INVESTMENTS

LSERS is responsible for the prudent management of funds held in trust for the exclusive benefit of our members. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments, at June 30, 2015 were \$1,860,308,477 as compared to \$1,791,250,561 at June 30, 2014, an increase of \$69,057,916.

STATE OF LOUISIANA
 SCHOOL EMPLOYEES' RETIREMENT SYSTEM
 MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

LSERS' investments in various asset classes at the end of the 2015 and 2014 fiscal years are indicated in the following table:

<u>Investments</u>	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease) Amount</u>	<u>Increase (Decrease) Percentage</u>
Short Term Investments	\$ 104,171,600	\$ 57,593,896	\$ 46,577,704	81%
Bonds and U.S. Government And Agency Obligations	347,330,145	367,048,112	(19,717,967)	(5)%
Domestic Marketable Securities	621,107,520	834,388,634	(213,281,114)	(26)%
Foreign Marketable Securities	489,372,051	250,445,612	238,926,439	95%
Real Estate	185,277,185	169,497,244	15,779,941	9%
Alternative Investments	<u>113,049,976</u>	<u>112,277,063</u>	772,913	1%
Total	<u>\$ 1,860,308,477</u>	<u>\$1,791,250,561</u>		



REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information can be addressed to Louisiana School Employees' Retirement System, Accounting Division, P. O. Box 44516, Baton Rouge, Louisiana 70804-4516.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2015 AND 2014

	<u>ASSETS</u>	
	<u>2015</u>	<u>2014</u>
Cash:		
In bank	\$ <u>47,855,816</u>	\$ <u>46,565,272</u>
Receivables:		
Member contributions	2,855,160	3,470,144
Employer contributions	13,977,714	15,078,516
Privatization receivable	1,862,710	683,545
Accrued interest and dividends	3,273,326	3,625,641
Investment receivable	2,122,957	6,606,033
Other	444,058	160,039
Total receivables	<u>24,535,925</u>	<u>29,623,918</u>
Property, plant and equipment (Net of accumulated depreciation of \$2,024,855 and \$ 1,939,683, respectively)	<u>3,102,982</u>	<u>3,158,978</u>
Investments, at fair value:		
Short-term investments	104,171,600	57,593,896
U.S. Government and agency obligations	77,085,093	100,345,476
Bonds - domestic	186,648,399	162,601,393
Bonds - foreign	83,596,653	104,101,243
Marketable securities - domestic	621,107,520	834,388,634
Marketable securities - foreign	489,372,051	250,445,612
Alternative investments	113,049,976	112,277,063
Real estate	185,277,185	169,497,244
Total investments	<u>1,860,308,477</u>	<u>1,791,250,561</u>
Collateral held under securities lending program	<u>179,300,866</u>	<u>177,754,861</u>
Other assets	<u>459,878</u>	<u>507,730</u>
Total assets	<u>2,115,563,944</u>	<u>2,048,861,320</u>
	<u>LIABILITIES AND NET POSITION</u>	
LIABILITIES:		
Accounts payable	1,480,507	1,119,557
Accrued expenses and benefits	102,594	225,449
Obligations under securities lending program	179,300,866	177,754,861
Investment payable	80,077,692	9,442,278
Other post employment benefits obligation	3,146,104	2,952,119
Total liabilities	<u>264,107,763</u>	<u>191,494,264</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	\$ <u>1,851,456,181</u>	\$ <u>1,857,367,056</u>

The accompanying notes are an integral part of these financial statements.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ADDITIONS:		
Contributions:		
Member contributions	\$ 20,552,109	\$ 21,920,008
Irregular contributions - members	340,266	256,957
Employer contributions	92,365,229	92,515,106
Irregular contributions - employers	<u>3,876,597</u>	<u>4,186,158</u>
Total contributions	<u>117,134,201</u>	<u>118,878,229</u>
Investment Income:		
Net appreciation in fair value of investments	33,177,431	243,081,707
Interest	15,164,044	15,485,961
Securities lending income	456,435	459,293
Dividends	4,903,628	8,597,874
Alternative investment income	<u>6,162,266</u>	<u>5,975,035</u>
	<u>59,863,804</u>	<u>273,599,870</u>
Less Investment Expense:		
Investment advisory fee	5,409,955	3,825,205
Custodian and bank fees	<u>362,820</u>	<u>827,509</u>
	<u>5,772,775</u>	<u>4,652,714</u>
Net investment income	<u>54,091,029</u>	<u>268,947,156</u>
Total additions	<u>171,225,230</u>	<u>387,825,385</u>
DEDUCTIONS:		
Retirement benefits paid	167,617,424	162,219,637
Refunds of contributions	4,213,790	4,389,704
Administrative expenses	4,728,730	4,444,879
Depreciation and amortization expense	193,224	180,701
Transfer to (from) other systems - employee	48,836	(65,312)
Transfer to (from) other systems - employer and interest	<u>334,101</u>	<u>453,603</u>
Total deductions	<u>177,136,105</u>	<u>171,623,212</u>
NET INCREASE / (DECREASE)	<u>(5,910,875)</u>	<u>216,202,173</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS:		
Beginning of year	<u>1,857,367,056</u>	<u>1,641,164,883</u>
END OF YEAR	<u>\$ 1,851,456,181</u>	<u>\$ 1,857,367,056</u>

The accompanying notes are an integral part of these financial statements.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

The State of Louisiana School Employees' Retirement System (the System) was established and provided for by R.S. 11:1001 of the Louisiana Revised Statutes (LRS) as a cost-sharing multiple employer defined benefit pension plan. The System is administered by a board of trustees made up of twelve members composed of the President of the Louisiana School Bus Operators' Association, the chairman of the House Retirement Committee, the Commissioner of the Division of Administration, the chairman of the Senate Retirement Committee, the Secretary of State, the State Treasurer, two service retirees elected by the retirees of the System, and a resident of each of the four districts of the Retirement System elected by the members of the Retirement System for a term of four years each.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of State of Louisiana School Employees' Retirement System (Plan) are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB).

In addition, these financial statements include the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and related standards. This standard provides for inclusion of a management discussion and analysis as supplementary information and other changes.

During the year ended June 30, 2014, the System adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*. GASB Statement No. 67 established new standards of financial reporting for defined benefit pension plans. Significant changes included an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosures regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures specifying the approach of contributing entities to measure pension liabilities for benefits provided through the pension plan, increased the note disclosure requirements, and provided for additional required supplementary information schedules.

Financial Reporting Entity:

Governmental Accounting Standards Board (GASB) issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which amends 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 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 considered whether there are organizations that are fiscally dependent on it. There are no component units of the System.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Reporting Entity: (Continued)

The System is a component unit of the State of Louisiana and its financial statements are included in the financial statements of the State of Louisiana.

Basis of Accounting:

The financial statements are prepared using the accrual basis of accounting.

Employer and employee contributions are recognized in the period that the employee is compensated for services performed.

Benefits and refunds paid are recognized when due and payable in accordance with the terms of the System.

Interest income is recognized when earned and dividends are recognized at the declaration date.

Expenditures are recognized in the period incurred.

Investments:

Investments are reported at fair value. Fair value of short-term investments approximates cost. Fair value of securities traded on a national or international exchange is calculated using the last reported sales price at current exchange rates. Fair value of mutual funds not traded on a national or international exchange is calculated using the net asset value reported by the mutual funds. Fair value of investments in partnerships is calculated as the Fund's percentage of ownership of the partner's capital reported by the partnership.

The System reports securities lent through the securities lending program as assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Liabilities resulting from securities lending transactions are reported as well.

The System invests in futures contracts and options in futures contracts. The changes in the market value of the contracts are reported as gains and losses in the period in which the change occurs.

The real estate held for investment consists of the leasing of office space and in real estate funds. The investments are valued at fair market value which is based upon appraised value.

The System invests in limited private equity partnerships. These investments are valued at market value, which is estimated by the General Partner of each partnership. Because of the inherent uncertainties in estimating fair values, it is at least reasonably possible that the estimates will change in the near term.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment:

Land, building, equipment, furniture and computer software (reported as intangible assets), are carried at historical cost. Depreciation or amortization is computed by the straight-line method based upon useful lives of 40 years for the building and 3 to 10 years for software, equipment and furniture.

Compensated Absences:

The employees of the System accumulate annual and sick leave at varying rates based upon years of state service. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employees' rate of pay. Upon retirement, unused annual leave in excess of 300 hours and sick leave may be converted to service credit subject to restrictions of the retirement system to which the employee belongs.

2. PLAN DESCRIPTION:

The State of Louisiana School Employees' Retirement System is the administrator of a cost-sharing multiple-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 by R.S.11:1001 of the Louisiana Revised Statutes (LRS). The accompanying statements present information only as to transactions of the program of the System as authorized by Louisiana Revised Statutes. The local government contributors consisted of 64 school boards and 46 other agencies for the year ended June 30, 2015 and 64 school boards and 40 other agencies at June 30, 2014, contributing to the System.

The System provides retirement benefits to non-teacher school employees excluding those classified as lunch workers within the public school system of Louisiana. At June 30, 2015 and 2014, plan membership consisted of:

	2015	(Restated) 2014
Retirees and beneficiaries currently receiving benefits	13,024	12,711
Terminated employees entitled to benefits but not yet receiving them	276	413
Terminated vested employees who have not withdrawn contributions (DROP)	660	537
Fully vested, partially and nonvested active employees	12,061	12,054
Terminated due a refund	3,940	3,793
TOTAL PARTICIPANTS	<u>29,961</u>	<u>29,508</u>

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

2. PLAN DESCRIPTION: (Continued)

Eligibility Requirements:

Benefit provisions are authorized under Louisiana Revised Statutes 11:1141 - 11:1153.

Membership is mandatory for all persons employed by a Louisiana Parish or City School Board who work more than twenty hours per week as a school bus driver, school janitor, school custodian, school maintenance employee, or school bus aide, a monitor or attendant, or any other regular school employee who actually works on a school bus helping with the transportation of school children. If a person is employed by and is eligible to be a member of more than one public agency within the state, he must be a member of each such retirement system. Members are vested after 10 years of service or 5 years if enrolled after June 30, 2010.

All temporary, seasonal and part-time employees as defined in Federal Regulations 26 CFR 31:3121(b)(7)-2 are not eligible for membership in the System. Any part-time employees who work 20 hours or less per week and who are not vested will be refunded their contributions.

Benefits:

Benefit provisions are authorized and amended under Louisiana Revised Statutes. Benefit provisions are dictated by LRS 11:1141 – 11:1153. A member who joined the System on or before June 30, 2010 is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, 25 years of creditable service and is at least age 55, 20 years of creditable service regardless of age with an actuarially reduced benefit, or 10 years of creditable service and is at least age 60. A member who joined the System on or after July 1, 2010 is eligible for normal retirement if he has at least 5 years of creditable service and is at least age 60, or 20 years of creditable service regardless of age with an actuarially reduced benefit. A member who joined the System on or after July 1, 2015 is eligible for normal retirement if he has at least 5 years of creditable service and is at least age 62, or 20 years of creditable service regardless of age with an actuarially reduced benefit.

For members who joined the System prior to July 1, 2006, the maximum retirement benefit is an amount equal to 3 1/3% of the average compensation for the three highest consecutive years of membership service, subject to the 10% salary limitation, multiplied by the number of years of service limited to 100% of final average compensation plus a supplementary allowance of \$2.00 per month for each year of service. For members who joined the System on or after July 1, 2006 through June 30, 2010, 3 1/3% of the average compensation is used to calculate benefits, however, the calculation consists of the five highest consecutive years of membership service, subject to the 10% salary limitation. For members who join the System on or after July 1, 2010, 2 1/2% of the average compensation is used to calculate benefits and consists of the five highest consecutive years' average salary, subject to the 15% salary limitation. The supplemental allowance was eliminated for members entering the System on or after July 1, 1986. Effective January 1, 1992, the supplemental allowance was reinstated to all members whose service retirement became effective after July 1, 1971.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

2. PLAN DESCRIPTION: (Continued)

Benefits: (Continued)

A member is eligible to retire and receive disability benefits if he has at least five years of creditable service, is not eligible for normal retirement and has become totally and permanently disabled and is certified as disabled by the Medical Board. A member who joins the System on or after July 1, 2006, must have at least ten years of service to qualify for disability benefits.

Upon the death of a member with five or more years of creditable service, the System provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, a spouse is entitled to 75% of the member's benefit.

Members of the System may elect to participate in the Deferred Retirement Option Plan, (DROP) and defer the receipt of benefits. The election may be made only one time and the duration is limited to three years. Once an option has been selected, no change is permitted. Upon the effective date of the commencement of participation in the DROP Plan, active membership in the regular retirement plan of the System terminates. Average compensation and creditable service remain as they existed on the effective date of commencement of participation in the System. The monthly retirement benefits, that would have been payable had the person elected to cease employment and receive a service retirement allowance, are paid into the Deferred Retirement Option Plan Fund Account.

The System maintains subaccounts within this account reflecting the credits attributed to each participant in the System. Interest credited and payments from the DROP account are made in accordance with Louisiana Revised Statutes 11:1152(F)(3). Upon termination of participation in both the System and employment, a participant may receive his DROP monies either in a lump sum payment from the account or systematic disbursements.

The System also provides for deferred benefits for vested members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable.

Effective January 1, 1996, the state legislature authorized the System to establish an Initial Benefit Retirement Plan (IBRP) program. IBRP is available to members who have not participated in DROP and who select the maximum benefit, Option 2 benefit, Option 3 benefit or Option 4 benefit. Thereafter, these members are ineligible to participate in the DROP. The IBRP program provides both a one-time single sum payment of up to 36 months of a regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest credited and payments from IBRP account are made in accordance with Louisiana Revised Statutes 11:1152(F)(3).

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for members are established by state statute at 7.5% of their annual covered salary for members employed prior to July 1, 2010 and 8.0% for members employed subsequent to July 1, 2010. Contributions for all participating school boards are actuarially determined as required by Act 81 of 1988 but cannot be less than the rate required by the Constitution. The actuarial required contribution rate for June 30, 2015 and June 30, 2014 was 32.0% and 32.6%, respectively. The actual employer rate for the years ended June 30, 2015 and 2014 was 33.0% and 32.3%, respectively. A difference may exist due to the State Statute that requires the rate to be calculated in advance.

Administrative costs are included in aggregate normal cost.

Reserves:

Use of the term "reserve" by the System indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

A) Administrative:

The Administrative Fund Reserve provides for general and administrative expenses of the System and those expenses not funded through other specific legislative appropriations. Funding consists of transfers from the investment earnings and is made as needed. The Administrative Fund Reserve for each year ending June 30, 2015 and 2014 is \$-0-. Any excess funds at year end are closed out to the Pension Accumulation Fund per Louisiana Statute.

B) Experience Account Fund:

The Experience Account was created by HB 658 of 2007, to be used to fund cost-of-living adjustments (COLA) / permanent benefit increases (PBI). It is credited with an amount not to exceed 50% of the prior year's actuarial calculated excess net investment experience gain in excess of \$15 million (indexed) and debited any COLA / PBI granted. The balance in the experience account accrues interest at the average actuarial yield on the System's portfolio and is capped at the amount necessary to grant one PBI, until the System is 80% funded. The Experience Account Fund as of June 30, 2015 and 2014 is \$23,058,055 and \$20,787,326, respectively.

C) Amortization Conversion Account:

The Amortization Conversion Account was created to supplement employer contributions for the fiscal years ending June 30, 2015, through June 30, 2019. The initial funding of the account was the result of a transfer from the Experience Account Fund, in the amount of \$19,640,033. The shortfall in supplemental contributions, during the respective years, is to be funded from the Amortization Conversion Account. All funds remaining in the Amortization Conversion Account, as of June 30, 2019, shall be amortized as a gain. The Amortization Conversion Account balance as of June 30, 2015 and 2014 is \$19,079,106 and \$19,640,033, respectively.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

D) Annuity Savings:

The Annuity Savings was created by state law and is credited with contributions made by members of the System. When a member terminates his service or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Survivor Benefit Reserve. When a member retires, the amount of his accumulated contributions is transferred to Pension Reserve to provide part of the benefits. The Annuity Savings as of June 30, 2015 and 2014 is \$175,474,730 and \$170,558,261, respectively.

E) Pension Accumulation Fund:

The Pension Accumulation Fund was created by state law and consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Pension Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other reserves. The Pension Accumulation Fund as of June 30, 2015 and 2014 is \$114,301,610 and \$(11,241,587), respectively.

F) Annuity Reserve:

The Annuity Reserve was created by state law and consists of the reserves for all pensions, excluding cost-of-living increases, granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased members also receive benefits from this reserve account. The Annuity Reserve as of June 30, 2015 and 2014 is \$1,449,818,792 and \$1,588,138,148, respectively.

G) Deferred Retirement Option Account:

The Deferred Retirement Option account was created by state law and consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or by a true annuity. The Deferred Retirement Option account as of June 30, 2015 and 2014 is \$68,326,396 and \$68,155,611, respectively.

H) Initial Benefit Retirement Plan Reserve:

The Initial Benefit Retirement Plan Reserve was created by state law and consists of the reserves for all participants who elect to take a lump sum benefit payment up front and subsequently receive a reduced monthly benefit. The maximum amount a member may receive up front is 36 months times the maximum benefit. The Initial Benefit Retirement Plan Reserve as of June 30, 2015 and 2014 is \$1,397,491 and \$1,329,264, respectively.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

4. NET PENSION LIABILITY OF EMPLOYERS:

The components of the net pension liability of the System's employers determined in accordance with GASB No. 67 as of June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Total Pension Liability	\$ 2,485,583,187	\$ 2,438,251,413
Plan Fiduciary Net Position	<u>1,851,456,181</u>	<u>1,857,367,056</u>
Employers' Net Pension Liability	\$ 634,127,006	\$ 580,884,357
Plan Fiduciary Net Position as a % of the Total Pension Liability	74.49%	76.18%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future.

The actuarial assumptions used in the June 30, 2015 valuation were based on the assumptions used in the June 30, 2014 actuarial funding valuation, and were initially designed to match, to the extent possible, those used by the prior actuary. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an experience study performed in 2013, for the period July 1, 2008 through June 30, 2012. The general economic and non-economic assumptions used by the prior actuary for the June 30, 2014 valuation were reviewed and a determination was made to retain them with the exception of the statistics related to family composition and rates of remarriage. Adjustments to some non-mortality decrements were necessary due to differences in the software model used in the prior valuation. The required Schedules of Employers' Net Pension Liability located in required supplementary information following the *Notes to the Financial Statements* presents multi-year trend information regarding whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. The Total Pension Liability as of June 30, 2015 and 2014 is based on actuarial valuations for the same periods, updated using generally accepted actuarial procedures.

The valuation investment rate or return was reduced from 7.25% to 7.00%, as of June 30, 2015. The reduction was made to account for the funding of administrative expenses out of investment earnings. Prior to this valuation, no explicit provision was made to fund or offset administrative expenses.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Information on the latest actuarial valuation is as follows:

Valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal Cost
Investment rate of return	7.00%
Inflation Rate	2.75%
Mortality	Mortality rates based on the RP-2000 Sex Distinct Mortality Table.
Salary increases	Salary increases were projected based on a 2008-2012 experience study of the System's members, performed by the prior actuary. The annual salary growth rates are based upon the members' years of service.
Cost of living adjustments	Cost-of-living raises may be granted from the Experience Account provided there are sufficient funds needed to offset the increase in the actuarial liability and the plan has met the criteria and eligibility requirements outline by ACT 399 of 2014.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed Income	30%	1.06%
Equity	51%	3.61%
Alternatives	13%	0.89%
Real Assets	6%	0.44%
Totals	<u>100%</u>	<u>6.00%</u>
Inflation		<u>2.30%</u>
Expected Arithmetic Nominal Return		<u>8.30%</u>

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed Income	30%	0.99%
Equity	51%	2.76%
Alternatives	13%	0.71%
Real Assets	6%	0.32%
Totals	100%	4.78%
Inflation		2.75%
Expected Arithmetic Nominal Return		7.53%

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the participating employers calculated using the discount rate of 7.00% and 7.25% for June 30, 2015 and 2014, respectively, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	Changes in Discount Rate		
	1% Decrease	Discount Rate	1% Increase
	6.00%	7.00%	8.00%
2015 Net Pension Liability	\$ 871,136,523	\$ 634,127,006	\$ 431,464,224

	Changes in Discount Rate		
	1% Decrease	Discount Rate	1% Increase
	6.25%	7.25%	8.25%
2014 Net Pension Liability	\$ 801,657,934	\$ 580,884,357	\$ 358,168,548

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents and investments at June 30, 2015 and 2014:

		2015		2014
Deposits (bank balance)	\$	47,802,440	\$	46,809,234
Cash equivalents		104,171,600		57,593,896
Investments		1,756,136,877		1,733,656,665
	\$	1,908,110,917	\$	1,838,059,795

Deposits:

The System's bank deposits were entirely covered by federal depository insurance and by pledged securities. The pledged securities were held at the Federal Reserve in joint custody.

Cash Equivalents:

For the years ended June 30, 2015 and 2014, cash equivalents in the amount of \$104,171,600 and \$57,053,994, respectively, consisted of commercial paper, agency discount notes, repurchase agreements, time deposits, U.S Treasury bills, certificates of deposit, bank notes, corporate obligations and agency bonds. The funds are managed and held by a separate money manager and are in the name of the System. At June 30, 2015 and 2014, foreign currency included in cash equivalents of \$744,959 and \$539,902, respectively, is not covered by federal depository insurance or pledged collateral.

Investments:

In accordance with LRS 11:263, the System is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule means that, in investing, the governing authorities of the System "shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income." Notwithstanding the Prudent-Man Rule, the System shall not invest more than sixty-five percent of the total portfolio in equity investments.

The System's policy regarding the allocation of invested assets is established and amended by the System's Board. The System shall be managed at all times in accordance with Louisiana statutes and any other applicable law. The policy states that the investment of the System's assets shall be for the exclusive purpose of providing benefits for the participants and their beneficiaries, and paying the System's administrative expenses. The System's investment shall be prudently selected and properly diversified so as to minimize the risk of large losses.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Concentration of Credit Risk:

The System's investment policy states that no more than 5% of the total stock portfolio valued at market may be invested in the common stock of any one organization. There were no investments in any one organization which represented 5% of total investments at June 30, 2015 and 2014.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2015 and 2014, the System had the following investments in long-term debt securities and maturities:

Investment Type	June 30, 2015				
	Fair Value	Less Than 1			
		Year	1 to 5	6 to 10	10+ Years
US Gov't & Gov't Agencies	\$ 25,047,615	\$ 542,111	\$ 5,197,584	\$ 11,816,380	\$ 7,491,540
Government mortgage backed securities	52,037,478	-	603,455	1,764,411	49,669,612
U.S. Gov't and Gov't Agency Obligations	<u>\$ 77,085,093</u>	<u>\$ 542,111</u>	<u>\$ 5,801,039</u>	<u>\$ 13,580,791</u>	<u>\$ 57,161,152</u>
U.S. Corporate Bonds	\$ 119,809,165	\$ 2,824,503	\$ 45,782,074	\$ 37,112,650	\$ 34,089,938
Collateralized Mortgage Obligations	13,506,183	-	31,361	-	13,474,822
Other Fixed Income	53,333,051	-	13,800,199	9,717,698	29,815,154
Domestic Bonds	<u>\$ 186,648,399</u>	<u>\$ 2,824,503</u>	<u>\$ 59,613,634</u>	<u>\$ 46,830,348</u>	<u>\$ 77,379,914</u>
Foreign Bonds	<u>\$ 83,596,653</u>	<u>\$ 2,699,220</u>	<u>\$ 48,860,652</u>	<u>\$ 20,960,858</u>	<u>\$ 11,075,923</u>
Collateral Held Under Securities Lending Program	<u>\$ 179,300,866</u>	<u>\$ 161,630,444</u>	<u>\$ 9,260,027</u>	<u>\$ 6,461,782</u>	<u>\$ 1,948,613</u>

Investment Type	June 30, 2014				
	Fair Value	Less Than 1			
		Year	1 to 6	6 to 10	10+ Years
US Gov't & Gov't Agencies	\$ 30,856,879	\$ 3,546,223	\$ 14,229,415	\$ 7,736,880	\$ 5,344,361
Government mortgage backed securities	69,488,597	-	167,147	4,238,190	65,083,260
U.S. Gov't and Gov't Agency Obligations	<u>\$ 100,345,476</u>	<u>\$ 3,546,223</u>	<u>\$ 14,396,562</u>	<u>\$ 11,975,070</u>	<u>\$ 70,427,621</u>
U.S. Corporate Bonds	\$ 113,723,919	\$ 1,471,451	\$ 29,903,227	\$ 44,859,401	\$ 37,489,840
Collateralized Mortgage Obligations	15,200,133	-	278,187	464,564	14,457,382
Other Fixed Income	33,677,341	-	8,207,391	3,868,734	21,601,216
Domestic Bonds	<u>\$ 162,601,393</u>	<u>\$ 1,471,451</u>	<u>\$ 38,388,805</u>	<u>\$ 49,192,699</u>	<u>\$ 73,548,438</u>
Foreign Bonds	<u>\$ 104,101,243</u>	<u>\$ 6,929,908</u>	<u>\$ 47,246,486</u>	<u>\$ 31,036,529</u>	<u>\$ 18,888,320</u>
Collateral Held Under Securities Lending Program	<u>\$ 177,754,861</u>	<u>\$ 144,348,015</u>	<u>\$ 12,758,219</u>	<u>\$ 16,974,571</u>	<u>\$ 3,674,056</u>

The System invests in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Below is a schedule of bonds and bond funds with their applicable ratings:

2015	U.S. Gov't and Gov't Agency Obligations	Government Mortgage Backed Securities	Corporate Bonds	Collateralized Mortgage Obligations	Other Fixed Income	Foreign Bonds
AAA	\$ -	\$ -	\$ 6,672,986	\$ -	\$ 2,034,594	\$ 4,860,445
AA+	-	-	3,039,870	-	369,592	11,845,505
AA	-	-	541,626	-	1,678,189	982,324
AA-	-	-	2,663,654	-	1,455,226	1,654,662
A+	-	-	2,464,830	2,599,803	6,700,458	2,307,875
A	-	-	28,486,944	-	19,010,021	16,292,366
A-	-	-	10,659,776	-	-	7,030,784
BBB+	-	-	26,840,072	196,923	-	3,867,464
BBB	-	-	12,485,061	-	3,289,974	3,090,496
BBB-	-	-	10,985,004	-	941,726	8,833,097
BB+	-	-	1,617,475	-	-	571,224
BB	-	-	742,075	198,903	9,903	318,938
BB-	-	-	1,648,147	-	601,186	329,475
B+	-	-	410,788	31,361	-	190,500
B	-	-	882,269	-	-	215,606
B-	-	-	445,450	-	-	-
CCC+	-	-	436,905	-	-	300,093
CCC	-	-	643,090	1,719,454	2,597,195	-
D	-	-	-	2,627,692	619,909	-
Not Rated	25,047,615	52,037,478	8,143,143	6,132,047	14,025,078	20,905,799
	<u>\$ 25,047,615</u>	<u>\$ 52,037,478</u>	<u>\$ 119,809,165</u>	<u>\$ 13,506,183</u>	<u>\$ 53,333,051</u>	<u>\$ 83,596,653</u>

2014	U.S. Gov't and Gov't Agency Obligations	Government Mortgage Backed Securities	Corporate Bonds	Collateralized Mortgage Obligations	Other Fixed Income	Foreign Bonds
AAA	\$ -	\$ -	\$ 3,318,940	\$ 109,981	\$ 47,272	\$ 8,258,219
AA+	-	975,544	3,231,222	941,707	368,566	4,920,754
AA	-	-	342,866	-	2,634,873	270,123
AA-	-	-	442,229	-	1,217,865	1,938,439
A+	-	-	5,794,818	1,733,372	3,050,063	3,905,762
A	-	-	29,069,902	-	15,480,368	22,157,136
A-	-	-	13,911,188	-	233,284	8,527,066
BBB+	-	-	16,579,005	471,307	-	4,212,566
BBB	-	-	14,349,344	-	131,231	4,892,006
BBB-	-	-	9,774,687	-	-	5,877,501
BB+	-	-	1,189,119	-	-	1,094,813
BB	-	-	507,350	244,111	11,177	165,375
BB-	-	-	3,356,212	-	643,465	571,063
B+	-	-	515,872	80,017	6,151	-
B	-	-	1,010,068	-	-	202,300
B-	-	-	475,250	-	-	97,312
CCC+	-	-	478,257	-	-	206,000
CCC	-	-	-	2,198,430	2,575,279	-
D	-	-	-	3,238,192	897,908	-
Not Rated	30,856,879	68,513,053	9,377,590	6,183,016	6,379,839	36,804,808
	<u>\$ 30,856,879</u>	<u>\$ 69,488,597</u>	<u>\$ 113,723,919</u>	<u>\$ 15,200,133</u>	<u>\$ 33,677,341</u>	<u>\$ 104,101,243</u>

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk: (Continued)

The System's investment policy limits its investments to no more than 10% of corporate debt issues rated below investment grade by Moody's Investor Services, Standard & Poor's, Fitch Investor Services, or Duff & Phelps. Securities that are downgraded below the policy standard must be sold within a reasonable amount of time. In addition, the System may invest in debt instruments of the U.S. Government or its agencies.

Cash collateral invested under the securities lending program may be invested in regulated investment companies, U.S. or Eurodollar deposits, commercial paper rated A2, P2 or higher at the time of investment, repurchase agreements, bankers' acceptances or similar quality money market or cash equivalent investments. The System is in compliance with the investment policy regarding cash collateral invested under the securities lending program.

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investments held in a trust in the name of the System or in external investment pools are not exposed to foreign currency risk. External investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

At June 30, 2015 and 2014, for collateral held under securities lending in the amounts of \$179,300,866 and \$177,754,861, respectively, and noncash collateral received under the securities lending program in the amounts of \$18,801,905 and \$8,590,505, respectively, the System is exposed to custodial credit risk since these investments are not in the name of the System. The System has no formal investment policy regarding custodial credit risk.

Foreign Currency Risk:

The System's investment policy has a target of 15% of total investments in foreign marketable securities and 10% of total investments in global fixed income. At June 30, 2015, the System's current position in foreign marketable securities and global fixed income is 4% and 2%, respectively.

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. Foreign currency risk by currency for the years ended June 30, 2015 and 2014 are as follows:

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Foreign Currency Risk: (Continued)

Fair Value at June 30, 2015:

Currency	Marketable Securities	Bonds	Alternative Investments	Cash and Other	Total
Australian dollar	\$ 3,582,796	\$ 1,799,620	\$ -	\$ -	5,382,416
British pound sterling	12,646,093	9,898,712	-	(1,405,370)	21,139,435
Canadian dollar	1,515,479	-	-	-	1,515,479
Danish krone	2,122,645	-	-	7,859	2,130,504
Euro	14,829,525	8,381,321	8,810,347	6,977,946	38,999,139
Hong Kong dollar	9,814,554	-	-	21,467	9,836,021
Japanese yen	16,978,525	9,333,537	-	8,667,009	34,979,071
Malaysian Ringgit	-	1,796,087	-	17,703	1,813,790
Mexican new peso	-	6,980,725	-	98,826	7,079,551
New Zealand dollar	-	6,999,959	-	(6,893,451)	106,508
Polish zloty	-	3,581,948	-	-	3,581,948
South African comm rand	-	-	-	162	162
Singapore dollar	1,660,025	-	-	-	1,660,025
Swedish krona	1,508,001	-	-	5,546,212	7,054,213
Swiss franc	11,524,600	-	-	122,488	11,647,088
Total	\$ 76,182,243	\$ 48,771,909	\$ 8,810,347	\$ 13,160,851	\$ 146,925,350

Fair Value at June 30, 2014:

Currency	Marketable Securities	Bonds	Alternative Investments	Cash and Other	Total
Australian dollar	\$ 6,587,578	\$ 11,719,268	\$ -	\$ (11,048,943)	7,257,903
Brazil real	815,142	-	-	8,953	824,095
British pound sterling	19,652,163	7,917,893	-	(3,290,293)	24,279,763
Canadian dollar	2,349,434	-	-	19,434	2,368,868
Czech koruna	675,096	-	-	-	675,096
Danish krone	2,554,231	-	-	-	2,554,231
Euro	25,785,737	9,341,414	9,395,780	(182,557)	44,340,374
Hong Kong dollar	13,723,429	-	-	-	13,723,429
Indonesian rupiah	560,361	-	-	-	560,361
Japanese yen	26,924,988	4,557,633	-	131,936	31,614,557
Mexican new peso	-	7,031,997	-	39,843	7,071,840
New Turkish lira	1,842,792	-	-	-	1,842,792
Norwegian krone	3,715,588	-	-	-	3,715,588
Polish zloty	-	9,241,206	-	14,172	9,255,378
South African comm rand	-	-	-	3,210,881	3,210,881
Singapore dollar	2,092,993	-	-	36,827	2,129,820
South Korean won	2,038,912	-	-	-	2,038,912
Swedish krona	3,371,509	11,218,592	-	79,184	14,669,285
Swiss franc	12,904,577	-	-	130,983	13,035,560
Total	\$ 125,594,530	\$ 61,028,003	\$ 9,395,780	\$ (10,849,580)	\$ 185,168,733

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Money-Weighted Rate of Return:

For the years ended June 30, 2015 and 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.91% and 16.66%, respectively. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

6. SECURITY LENDING TRANSACTIONS:

State statutes and Board of Trustees' policies permit the System to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System entered into a contract with a company which acts as its third-party securities lending agent. The lending agent has access to the System's lendable portfolio or available assets. The agent lends available assets such as U.S. and non U.S. equities, corporate bonds, and U.S. Government and Government Agency Securities. Securities are loaned versus collateral that may include cash, U.S. Government securities, and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non U.S. securities are loaned versus collateral valued at 104% of the market value of the securities plus any accrued interest. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's agent requires it to provide borrower indemnification. The custodian's responsibility includes performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

All security loans can be terminated on demand by either the System or the borrower, although the average term of a loan is 105 days. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted-average maturity of 18 days. Cash collateral may also be invested separately in "term loans", in which the investments match the loan term. These loans can be terminated on demand by either lender or borrower. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the security loans made by other entities that use the agent's pool, which the System cannot determine. The System cannot pledge or sell collateral securities received unless the borrower defaults. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses are known to the securities lending agent.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

6. SECURITY LENDING TRANSACTIONS: (Continued)

The System has the following securities on loan:

	June 30, 2015 Market (Carrying Value)	June 30, 2014 Market (Carrying Value)
	<u> </u>	<u> </u>
U.S. Government and Agency Securities	\$ 112,748	\$ 7,525,583
Corporate Bonds - Domestic	15,323,646	22,193,552
Corporate Bonds - Foreign	1,537,324	3,561,079
Government Bonds – Foreign	790,277	793,402
Marketable Securities – Domestic	153,076,494	134,418,639
Marketable Securities – Foreign	4,177,613	4,686,223
	<u>\$ 175,018,102</u>	<u>\$ 173,178,478</u>

Securities on loan at June 30, 2015 and 2014 are collateralized by cash collateral in the amount of \$179,300,866 and \$177,754,861, respectively, and noncash collateral in the amount of \$18,801,905 and \$8,590,505, respectively.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral at June 30, 2015 and 2014. Such matching did exist since loans may be terminated on demand.

7. FUTURES:

Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires investment derivatives to be recorded at fair value and requires certain disclosures.

The System has entered into futures contracts for the purpose of maintaining market exposure for excess cash. At June 30, 2015 and 2014, the System has the following derivative instruments categorized as investment derivative instruments:

Investment Derivatives at June 30, 2015:

	<u>Fair Value</u>			<u>Changes In Fair Value</u>	
	<u>Notional Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>
Fixed Income Futures	\$ (16,018,515)	N/A	\$ -	Net App (Dep) in Fair Value	\$ (22,204)
Fixed Income Futures – EUR	2,574,703	N/A	-	Net App (Dep) in Fair Value	17,450
Cash & Cash Equivalents	445,705	N/A	-	Net App (Dep) in Fair Value	32,333
			<u>\$ -</u>		<u>\$ 27,579</u>

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

7. FUTURES: (Continued)

Investment Derivatives at June 30, 2014:

	Notional <u>Amount</u>	<u>Fair Value</u>		<u>Changes In Fair Value</u>	
		<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>
Fixed Income Futures	\$ (14,572,615)	Investments Payable	\$ -	Net App (Dep) in Fair Value	\$ (3,426)
Fixed Income Futures – CAN	3,037,486	N/A	-	Net App (Dep) in Fair Value	19,434
Cash & Cash Equivalents	(1,968,824)	N/A	-	Net App (Dep) in Fair Value	<u>(13,376)</u>
			<u>\$ -</u>		<u>\$ 2,632</u>

Credit Risk:

The System's future contracts are settled daily by the exchange via margin accounts; therefore, the exchange is the counterparty for all transactions. This ensures that no participant takes on excessive credit. The counterparties execute the trades on the System's behalf which results in the System not being exposed directly to credit risk.

Foreign Currency Risk:

The System is exposed to foreign currency risk on its fixed income futures contracts which are denominated in Euros. At June 30, 2015, the fair value of the fixed income futures contracts is \$-0-.

Interest Rate Risk:

The System is exposed to interest rate risk on fixed income futures. The values of the futures are directly linked to interest rate indices which increase and decrease as interest rates change.

8. ALTERNATIVE INVESTMENTS:

The System invests in limited private equity partnerships. These investments are valued at market value, which is estimated by the General Partner of each partnership. The value assigned to these investments is based upon available information and does not necessarily represent the amounts that might ultimately be realized, since such investments depend on future circumstances and cannot be determined until the individual investments are actually liquidated. At the reporting deadline, March 31, 2015 was the most recent market valuation available. Fair value was approximated by adding or subtracting activity between April 1, 2015 and June 30, 2015. Because of the inherent uncertainty in valuing privately held securities, amounts realized on the sale of these investments will differ from the values reflected in these financial statements and the difference may be material. Fair value of all partnerships was \$113,049,976 and \$112,277,063 as of June 30, 2015 and 2014, respectively.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

8. ALTERNATIVE INVESTMENTS: (Continued)

The total initial active commitment for the partnerships as of June 30, 2015 was \$182,690,500. The total amount called for funding as of June 30, 2015 was \$(139,302,815). The total amount of distributions callable for funding as of June 30, 2015 was \$2,400,000. The remaining commitment that could be called as of June 30, 2015 was \$45,787,685.

9. PER DIEM PAID TO BOARD MEMBERS:

Per diem paid to board members, as presented on Page 43, was established at \$75.00 per day in accordance with Louisiana Revised Statute 42:700.2.

10. PROPERTY AND EQUIPMENT:

Changes in property and equipment are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Building	\$ 3,649,788	\$ 25,729	\$ -	\$ 3,675,517
Land	1,010,225	-	-	1,010,225
Furniture and equipment	438,648	43,293	(55,932)	426,009
Construction in progress	-	16,086	-	16,086
Accumulated depreciation	(1,939,683)	(136,558)	51,386	(2,024,855)
	<u>\$ 3,158,978</u>	<u>\$ (51,450)</u>	<u>\$ (4,546)</u>	<u>\$ 3,102,982</u>
Intangibles	\$ 564,396	\$ -	\$ -	\$ 564,396
Accumulated amortization	(56,666)	(56,666)	-	(113,332)
	<u>\$ 507,730</u>	<u>\$ (56,666)</u>	<u>\$ -</u>	<u>\$ 451,064</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$136,558 and \$124,035, respectively. Amortization expense for each of the years ended June 30, 2015 and 2014 was \$56,666.

11. TAX QUALIFICATION:

The System is a Tax Qualified Plan Under IRS Code Section 401(a).

12. ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

13. OPERATING LEASES:

The System leases office space recorded as real estate held for investment under an operating lease expiring October 31, 2015. The cost and fair value of the real estate held for investments is \$2,159,484 and \$2,101,377, respectively, as of June 30, 2015 and 2014.

Minimum future rentals to be received on operating leases for the next five years and in the aggregate are:

<u>JUNE 30</u>	
2016	\$ 340,792
2017	-
2018	-
2019	-
2020	<u>-</u>
Total	<u>\$ 340,792</u>

The lease may be terminated under various circumstances by both parties.

14. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

Substantially all Plan employees become eligible for post-employment health care and life insurance benefits if they reach normal retirement age while working for the System. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the System. At June 30, 2015, twenty seven retirees were receiving post-employment benefits.

Plan Description

The System's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits. LRS 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy

The contribution requirements of plan members and the System are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

14. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Funding Policy (Continued)

Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The Office of Group Benefits offers six standard plans for both active and retired employees: the Magnolia Open Access Plan, The Magnolia Local Plan, The Magnolia Local Plus Plan, The Pelican HSA 775 Plan, The Pelican HRA 1000 Plan and the Vantage Medical Home HMO Plan. Retired employees who have Medicare Part A and Part B coverage also have access to four OGB Medicare Advantage plans which includes three HMO-POS plans and one Towers Watson OneExchange option for purchasing private health insurance on an exchange. Depending upon the plan selected, during the year ended June 30, 2015 and 2014, employee premiums for a single member receiving benefits range from \$62 to \$99 and \$81 to \$85 per month, respectively, for employee-only coverage with Medicare or from \$102 to \$163 and \$131 to \$141 per month, respectively, for employee-only coverage without Medicare. The premiums for an employee and spouse for the year ended June 30, 2015 and 2014 range from \$229 to \$365 and \$143 to \$316 per month, respectively, for those with Medicare or from \$333 to \$531 and \$419 to \$459 per month, respectively, for those without Medicare.

The System is currently financed on a pay as you go basis, with the System contributing anywhere from \$186 to \$297 and \$249 to \$257 per month for retiree-only coverage with Medicare or from \$660 to \$1,052 and \$853 to \$911 per month for retiree-only coverage without Medicare during the years ended June 30, 2015 and 2014, respectively. Also, the System's contributions range from \$687 to \$1,095 and \$439 to \$948 per month for retiree and spouse with Medicare or \$1,014 to \$1,616 and \$1,308 to \$1,399 for retiree and spouse without Medicare during the years ended June 30, 2015 and 2014, respectively.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Basic Term Life, Dependent Basic Plus Supplemental Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1.08 per thousand dollars of coverage of which the employer pays one half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with AD&D coverage ceasing at termination of employment or age 70 for retirees.

Annual OPEB Cost

The System's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities. The total ARC is \$426,900 and \$455,600 for the fiscal year beginning July 1, 2014 and 2013, respectively.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

14. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Annual OPEB Cost (Continued)

The following table presents the System's OPEB Obligation for the years ended June 30, 2015 and 2014, the amount actually contributed to the plan, and changes in the System's net OPEB Obligation:

	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 426,900	\$ 455,600
Interest on net OPEB obligation	118,085	109,212
ARC adjustment	<u>(112,806)</u>	<u>(104,329)</u>
Annual OPEB Cost	432,179	460,483
Contributions made	<u>(238,194)</u>	<u>(238,668)</u>
Increase in Net OPEB Obligation	193,985	221,815
Beginning Net OPEB Obligation	<u>2,952,119</u>	<u>2,730,304</u>
Ending Net OPEB Obligation	<u>\$ 3,146,104</u>	<u>\$ 2,952,119</u>

The System's percentage of annual OPEB cost contributed to the System utilizing the pay-as-you-go method, the percentage of annual OPEB cost contributed to the System, and the net OPEB Obligation for the year ended June 30, 2015, and the two preceding fiscal years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2013	\$ 452,468	48.73%	\$ 2,730,304
June 30, 2014	460,483	51.83%	2,952,119
June 30, 2015	432,179	55.11%	3,146,104

Funded Status and Funding Progress

Act 910 of the 2008 Regular Session established the Post-Employment Benefits Trust Fund effective July 1, 2008. However, during fiscal year 2014-2015, neither the System nor the State of Louisiana contributed to it. Since the plan has not been funded, the entire actuarial accrued liability of \$6,922,800 and \$6,894,800 as of July 1, 2014 and July 1, 2013, respectively, was unfunded.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

14. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Funded Status and Funding Progress (Continued)

The funded status of the plan, as determined by an actuary as of July 1, 2014 and 2013, was as follows:

	<u>July 1, 2014</u>	<u>July 1, 2013</u>
Actuarial accrued liability (AAL)	\$ 6,922,800	\$ 6,894,800
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 6,922,800</u>	<u>\$ 6,894,800</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (annual payroll of active employee covered by the plan)	\$ 1,485,800	\$ 1,206,609
UAAL as a percentage of covered payroll	466%	571%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2014 and 2013 actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 8.0% and 7.0% for pre-Medicare and Medicare eligible, respectively, for the July 1, 2013 valuation and initial annual healthcare cost trend rate of 8.0% and 7.0% for pre-Medicare and Medicare eligible, respectively, for the July 1, 2014 valuation grading down 0.5% each year until an ultimate rate of 4.5% is reached. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over an open amortization period of 30 years in developing the annual required contribution. The remaining amortization period as of June 30, 2015 and 2014 was 22 and 23 years, respectively.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

15. RECLASSIFICATIONS:

Certain reclassifications have been made to the prior year comparative information to conform to the current year presentation. Such reclassifications had no effect on the change in net position.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost	\$ 48,439,299	\$ 48,156,347
Interest	174,301,726	166,628,161
Changes of benefit terms	-	-
Differences between expected and actual experience	(61,023,560)	(47,587,285)
Changes of assumptions	53,611,597	29,612,455
Benefit payments	(167,617,424)	(162,607,928)
Refunds of member contributions	(4,213,790)	(4,389,704)
Other	<u>3,833,926</u>	<u>4,425,118</u>
Net change in total pension liability	47,331,774	34,237,164
Total pension liability - beginning	<u>2,438,251,413</u>	<u>2,404,014,249</u>
Total pension liability - ending (a)	<u>\$ 2,485,583,187</u>	<u>\$ 2,438,251,413</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 92,365,229	\$ 96,701,264
Contributions - member	20,552,109	22,176,965
Net investment income	54,091,029	268,947,156
Benefit payments	(167,617,424)	(162,607,928)
Administrative expenses	(4,728,730)	(4,444,879)
Refunds of member contributions	(4,213,790)	(4,389,704)
Other	<u>3,640,702</u>	<u>(180,701)</u>
Net change in plan fiduciary net position	(5,910,875)	216,202,173
Plan fiduciary net position - beginning	<u>1,857,367,056</u>	<u>1,641,164,883</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,851,456,181</u>	<u>\$ 1,857,367,056</u>
Net pension liability - ending (a) - (b)	<u>\$ 634,127,006</u>	<u>\$ 580,884,357</u>
Plan fiduciary net position as a percentage of total pension liability	74.49%	76.18%
Covered employee payroll	\$ 279,894,633	\$ 277,481,437
Net pension liability as a percentage of covered employee payroll	226.56%	209.34%

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</u>	<u>Covered Employee Payroll</u>	<u>Employers' Net Pension Liability as a Percentage of Covered Employee Payroll</u>
2014 \$	2,438,251,413	\$ 1,857,367,056	\$ 580,884,357	76.18%	\$ 277,481,437	209.34%
2015	2,485,583,187	1,851,456,181	634,127,006	74.49%	279,894,633	226.56%

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE TEN YEARS ENDED JUNE 30, 2015

<u>Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Liability</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2006	\$ 45,118,685	\$ 43,458,220	\$ (1,660,465)	\$ 236,223,480	18.4%
2007	46,220,683	50,489,918	4,269,235	256,781,573	19.7%
2008	49,930,365	51,765,697	1,835,332	285,316,373	18.1%
2009	57,084,533	55,340,199	(1,744,334)	306,906,093	18.0%
2010	69,430,399	53,004,055	(16,426,344)	297,984,547	17.8%
2011	82,506,147	72,151,524	(10,354,623)	294,644,809	24.5%
2012	85,437,337	82,551,706	(2,885,631)	283,844,974	29.1%
2013	86,557,611	85,873,201	(684,410)	273,916,492	31.4%
2014	90,701,264	92,515,106	1,813,842	277,481,437	33.3%
2015	92,365,229	92,365,229	-	279,894,633	33.0%

STATE OF LOUISIANA
 SCHOOL EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

<u>Fiscal Year End</u>	<u>Annual Money-Weighted Rate of Return*</u>
2014	16.66%
2015	2.91%

* Annual money-weighted rates of return are presented net of investment expense.

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT HEALTHCARE
AND LIFE INSURANCE BENEFITS
JUNE 30, 2013 THROUGH 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2013	\$ -	\$ 6,953,500	\$ 6,953,500	- %	\$ 1,309,700	531 %
2014	-	6,894,800	6,894,800	-	1,206,609	571
2015	-	6,922,800	6,922,800	-	1,485,800	466

The actuarial valuation date differs from the financial reporting date. The actuarial valuations are as of the beginning of the fiscal year.

STATE OF LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015 AND 2014

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY:

The total pension liability contained in this schedule was provided by the System's actuary, G.S. Curran and Company. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the System.

2. SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY:

The schedule of employers' net pension liability shows the percentage of the System's employers' net pension liability as a percentage of covered employee payroll. The employers' net pension liability is the liability of contributing employers to members for benefits provided through the System. Covered employee payroll is the payroll of all employees that are provided with benefits through the System.

3. SCHEDULE OF CONTRIBUTIONS:

The difference between the actuarially determined employer contributions and employer contributions received, and the percentage of employer contributions received to covered employee payroll is presented in this schedule.

4. SCHEDULE OF INVESTMENT RETURNS:

The annual money-weighted rate of return is shown in this schedule. The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. This expresses investment performance adjusted for the changing amounts actually invested throughout the year, measured using monthly inputs with expenses measured on an accrual basis.

5. SCHEDULE OF FUNDING PROGRESS FOR OPEB PLAN:

This schedule shows the School Employees' Retirement System actuarial accrued liability (AAL) to its retired employees participating in the Office of Group Benefits (OGB) postemployment healthcare plan. The System is funded on a "pay-as-you-go" basis. Therefore, the ratio of AAL to unfunded AAL (UAAL) is 0.0%. The schedule also represents the percentage of UAAL to covered payroll.

6. ACTUARIAL ASSUMPTIONS:

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The assumptions and methods used for the actuarial valuation were recommended by the actuary and adopted by the Board.

STATE OF LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015 AND 2014

6. ACTUARIAL ASSUMPTIONS: (Continued)

Valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal Cost
Investment rate of return	7.00%
Inflation Rate	2.75%
Mortality	Mortality rates based on the RP-2000 Sex Distinct Mortality Table.
Salary increases	Salary increases were projected based on a 2008-2012 experience study of the System's members, performed by the prior actuary. The annual salary growth rates are based upon the members' years of service.
Cost of living adjustments	Cost-of-living raises may be granted from the Experience Account provided there are sufficient funds needed to offset the increase in the actuarial liability and the plan has met the criteria and eligibility requirements outline by ACT 399 of 2014.
Change in assumptions	The valuation investment rate or return was reduced from 7.25% to 7.00%, as of June 30, 2015. The reduction was made to account for the funding of administrative expenses out of investment earnings. Prior to this valuation, no explicit provision was made to fund or offset administrative expenses.

OTHER SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Annuity Reserve</u>	<u>Annuity Savings</u>	<u>DROP</u>	<u>IBRP</u>
BALANCES, JULY 1, 2014	\$ <u>1,588,138,148</u>	\$ <u>170,558,261</u>	\$ <u>68,155,611</u>	\$ <u>1,329,264</u>
ADDITIONS:				
Contributions:				
Members	-	20,892,375	-	-
Employers	-	-	-	-
Investment income and other sources	-	-	-	-
Transfers from Annuity Savings	11,713,669	-	-	-
Transfers from Survivor Benefit	183,958	-	-	-
Transfers from Experience Account	20,787,326	-	-	-
Pensions transferred from				
Pension Reserve	-	-	13,007,321	1,583,294
Operating transfers	-	-	-	-
Actuarial transfers	-	-	-	-
Total additions	<u>32,684,953</u>	<u>20,892,375</u>	<u>13,007,321</u>	<u>1,583,294</u>
DEDUCTIONS:				
Retirement allowances paid	153,265,820	-	12,836,536	1,515,067
Refunds to members	-	4,213,790	-	-
Transfers to Pension Reserve	183,958	11,713,669	-	-
Transfers to Experience Account	-	-	-	-
Transfers to Amortization Conversion	-	-	-	-
Pensions transferred to DROP	13,007,321	-	-	-
Pensions transferred to IBRP	1,583,294	-	-	-
Transfers to (from) other systems	-	48,446	-	-
Depreciation and amortization	-	-	-	-
Administrative expenses	-	-	-	-
Operating transfers	-	-	-	-
Actuarial transfer	2,963,916	-	-	-
Total deductions	<u>171,004,309</u>	<u>15,975,905</u>	<u>12,836,536</u>	<u>1,515,067</u>
NET INCREASE (DECREASE)	<u>(138,319,356)</u>	<u>4,916,470</u>	<u>170,785</u>	<u>68,227</u>
BALANCES, JUNE 30, 2015	\$ <u><u>1,449,818,792</u></u>	\$ <u><u>175,474,731</u></u>	\$ <u><u>68,326,396</u></u>	\$ <u><u>1,397,491</u></u>

<u>Pension Accumulation</u>	<u>Experience Account Fund</u>	<u>Amortization Conversion Account</u>	<u>Administrative Fund</u>	<u>Total</u>
\$ (11,241,587)	\$ 20,787,326	\$ 19,640,033	\$ -	\$ 1,857,367,056
-	-	-	-	20,892,375
96,241,826	-	-	-	96,241,826
31,032,974	23,058,055	-	-	54,091,029
-	-	-	-	11,713,669
-	-	-	-	183,958
-	-	-	-	20,787,326
-	-	-	-	14,590,615
-	-	-	4,728,730	4,728,730
3,524,843	-	-	-	3,524,843
<u>130,799,643</u>	<u>23,058,055</u>	<u>-</u>	<u>4,728,730</u>	<u>226,754,371</u>
-	-	-	-	167,617,423
-	-	-	-	4,213,790
-	20,787,326	-	-	32,684,953
-	-	-	-	-
-	-	-	-	-
-	-	-	-	13,007,321
-	-	-	-	1,583,294
334,492	-	-	-	382,938
193,224	-	-	-	193,224
-	-	-	4,728,730	4,728,730
4,728,730	-	-	-	4,728,730
-	-	560,927	-	3,524,843
<u>5,256,446</u>	<u>20,787,326</u>	<u>560,927</u>	<u>4,728,730</u>	<u>232,665,246</u>
<u>125,543,197</u>	<u>2,270,729</u>	<u>(560,927)</u>	<u>-</u>	<u>(5,910,875)</u>
\$ <u><u>114,301,610</u></u>	\$ <u><u>23,058,055</u></u>	\$ <u><u>19,079,106</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,851,456,181</u></u>

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Annuity Reserve</u>	<u>Annuity Savings</u>	<u>DROP</u>	<u>IBRP</u>
BALANCES, JULY 1, 2013	\$ <u>1,529,279,601</u>	\$ <u>172,045,061</u>	\$ <u>66,389,744</u>	\$ <u>1,273,747</u>
ADDITIONS:				
Contributions:				
Members	-	22,176,965	-	-
Employers	-	-	-	-
Investment income and other sources	-	-	-	-
Transfers from Annuity Savings	19,342,811	-	-	-
Transfers from Pension Accumulation	-	3,438	-	-
Transfers from Experience Account	16,346,105	-	-	-
Pensions transferred from				
Pension Reserve	2,001,534	-	15,007,654	2,010,936
Operating transfers	-	-	-	-
Actuarial transfers	221,488,753	-	-	-
Total additions	<u>259,179,203</u>	<u>22,180,403</u>	<u>15,007,654</u>	<u>2,010,936</u>
DEDUCTIONS:				
Retirement allowances paid	147,022,431	-	13,241,787	1,955,419
Refunds to members	-	4,389,704	-	-
Transfers to Annuity Savings	-	-	-	-
Transfers to Pension Reserve	-	19,342,811	-	-
Transfers to Survivor Benefit	2,001,534	-	-	-
Transfers to Experience Account	-	-	-	-
Transfers to Amortization Conversion	-	-	-	-
Pensions transferred to DROP	15,007,654	-	-	-
Pensions transferred to IBRP	2,010,936	-	-	-
Transfers to other systems	-	(65,312)	-	-
Depreciation and amortization	-	-	-	-
Administrative expenses	-	-	-	-
Operating transfers	-	-	-	-
Actuarial transfer	34,278,101	-	-	-
Total deductions	<u>200,320,656</u>	<u>23,667,203</u>	<u>13,241,787</u>	<u>1,955,419</u>
NET INCREASE (DECREASE)	<u>58,858,547</u>	<u>(1,486,800)</u>	<u>1,765,867</u>	<u>55,517</u>
BALANCES, JUNE 30, 2014	\$ <u><u>1,588,138,148</u></u>	\$ <u><u>170,558,261</u></u>	\$ <u><u>68,155,611</u></u>	\$ <u><u>1,329,264</u></u>

<u>Pension Accumulation</u>	<u>Experience Account Fund</u>	<u>Amortization Conversion Account</u>	<u>Administrative Fund</u>	<u>Total</u>
\$ (159,491,967)	\$ 31,668,697	\$ -	\$ -	\$ 1,641,164,883
-	-	-	-	22,176,965
96,701,264	-	-	-	96,701,264
264,629,715	4,317,441	-	-	268,947,156
-	-	-	-	19,342,811
-	20,787,326	-	-	20,790,764
-	-	19,640,033	-	35,986,138
-	-	-	-	19,020,124
-	-	-	4,444,879	4,444,879
181,965,010	-	-	-	403,453,763
<u>543,295,989</u>	<u>25,104,767</u>	<u>19,640,033</u>	<u>4,444,879</u>	<u>890,863,864</u>
-	-	-	-	162,219,637
-	-	-	-	4,389,704
3,438	-	-	-	3,438
-	16,346,105	-	-	35,688,916
-	-	-	-	2,001,534
20,787,326	-	-	-	20,787,326
-	19,640,033	-	-	19,640,033
-	-	-	-	15,007,654
-	-	-	-	2,010,936
453,603	-	-	-	388,291
180,701	-	-	-	180,701
-	-	-	4,444,879	4,444,879
4,444,879	-	-	-	4,444,879
369,175,662	-	-	-	403,453,763
<u>395,045,609</u>	<u>35,986,138</u>	<u>-</u>	<u>4,444,879</u>	<u>674,661,691</u>
<u>148,250,380</u>	<u>(10,881,371)</u>	<u>19,640,033</u>	<u>-</u>	<u>216,202,173</u>
\$ <u>(11,241,587)</u>	\$ <u>20,787,326</u>	\$ <u>19,640,033</u>	\$ <u>-</u>	\$ <u>1,857,367,056</u>

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM PAID TO TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

June 30, 2015

<u>TRUSTEE</u>	<u>NUMBER OF MEETINGS</u>	<u>AMOUNT</u>
Betty Crain	7	\$ 525
Colleen Barber	7	525
Eugene Rester	14	1,050
Jeffrey Faulk	14	1,050
Judith McKee	13	975
Kathy Landry	14	1,050
Phillip Walther	13	975
Yearby Henry	14	<u>1,050</u>
Totals		<u>\$ 7,200</u>

June 30, 2014

<u>TRUSTEE</u>	<u>NUMBER OF MEETINGS</u>	<u>AMOUNT</u>
Betty Crain	15	\$ 1,125
Eugene Rester	15	1,125
Jeffrey Faulk	15	1,125
Judith McKee	14	1,050
Kathy Landry	15	1,125
Phillip Walther	13	975
Yearby Henry	15	<u>1,125</u>
Totals		<u>\$ 7,650</u>

The Board holds regular two-day meetings each quarter, and one-day Investment Committee meetings during the months those regular meetings are not held.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
EXPENSES:		
Salaries	\$ 2,084,785	\$ 2,064,834
Related benefits	1,297,074	1,323,256
Student labor	-	5,192
Compensation - board	<u>7,200</u>	<u>7,650</u>
Total expenses	<u>3,389,059</u>	<u>3,400,932</u>
OPERATING EXPENSES:		
Professional improvement - staff and board	-	40,176
Travel - board	37,792	23,926
Travel - staff	<u>29,172</u>	<u>6,581</u>
Total operating expenses	<u>66,964</u>	<u>70,683</u>
OPERATING SERVICES:		
Equipment maintenance	100,720	94,909
Equipment rent	39,169	39,148
Building	214,280	227,063
Dues	22,194	27,172
Postage and printing	157,494	182,031
Telephone	37,796	35,559
Insurance	40,542	44,630
Legal	5,740	131,315
Advertising	<u>178</u>	<u>40</u>
Total operating services	<u>618,113</u>	<u>781,867</u>
SUPPLIES:		
Office	10,662	18,368
Computer	<u>10,776</u>	<u>1,159</u>
Total supplies	<u>21,438</u>	<u>19,527</u>
PROFESSIONAL SERVICES:		
Medical	13,075	10,750
Actuary	83,500	73,160
Audit	57,825	46,220
Records imaging	<u>792</u>	<u>7,561</u>
Total professional services	<u>155,192</u>	<u>137,691</u>
INTERAGENCY TRANSFERS:		
Civil Service	<u>9,687</u>	<u>8,282</u>
Total interagency transfers	<u>9,687</u>	<u>8,282</u>
OTHER CHARGES:		
Miscellaneous	256,609	20,560
Computer software	<u>211,668</u>	<u>5,337</u>
Total other charges	<u>468,277</u>	<u>25,897</u>
TOTAL EXPENSES	\$ <u>4,728,730</u>	\$ <u>4,444,879</u>

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Par Value</u>	<u>Original Cost</u>	<u>Market Value</u>
SHORT-TERM INVESTMENTS		\$ 104,182,004	\$ 104,171,600
U.S. GOVERNMENT AND U.S. GOVERNMENT AGENCY OBLIGATION:			
U.S. government and government agency obligations	\$ 24,261,400	\$ 25,079,691	\$ 25,047,615
Government mortgage-backed securities	146,955,539	51,725,734	52,037,478
	<u>\$ 171,216,939</u>	<u>\$ 76,805,425</u>	<u>\$ 77,085,093</u>
BONDS - DOMESTIC:			
Corporate bonds - domestic	\$ 121,880,920	\$ 118,566,908	\$ 119,809,165
Collateralized mortgage obligations	17,225,758	13,681,400	13,506,183
Other fixed income investments	7,897,780	11,798,923	11,817,019
Asset backed securities	43,588,153	41,331,276	41,516,032
	<u>\$ 190,592,611</u>	<u>\$ 185,378,507</u>	<u>\$ 186,648,399</u>
BONDS - FOREIGN:			
Corporate bonds - foreign	\$ 40,136,715	42,410,740	\$ 42,371,146
Government bonds - foreign	31,350,436	44,557,966	41,225,507
	<u>\$ 71,487,151</u>	<u>\$ 86,968,706</u>	<u>\$ 83,596,653</u>
MARKETABLE SECURITIES - DOMESTIC:			
Common stocks		\$ 150,181,194	\$ 217,041,074
Equity funds		341,590,305	404,066,446
		<u>\$ 491,771,499</u>	<u>\$ 621,107,520</u>
MARKETABLE SECURITIES - FOREIGN:			
Common stocks		\$ 138,509,623	\$ 165,164,947
Equity funds		330,825,643	323,752,104
Preferred stock		428,750	455,000
		<u>\$ 469,764,016</u>	<u>\$ 489,372,051</u>
ALTERNATIVE INVESTMENTS:			
Private equity funds		\$ 100,280,284	\$ 113,049,976
		<u>\$ 100,280,284</u>	<u>\$ 113,049,976</u>
REAL ESTATE:			
Real estate funds		\$ 133,028,950	\$ 183,175,808
Real estate held for investment		2,159,484	2,101,377
		<u>\$ 135,188,434</u>	<u>\$ 185,277,185</u>
TOTAL INVESTMENTS		<u>\$ 1,650,338,875</u>	<u>\$ 1,860,308,477</u>



Duplantier
Hrapmann
Hogan &
Maher, LLP

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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September 22, 2015

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statements of fiduciary net position and the related statements of changes in fiduciary net position of the State of Louisiana School Employees' Retirement System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the State of Louisiana School Employees' Retirement System's basic financial statements and have issued our report thereon dated September 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) of the State of Louisiana School Employees' Retirement System, to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Louisiana School Employees' Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Louisiana School Employees' Retirement System's internal control.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Louisiana School Employees' Retirement System's 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 those 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control, or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Trustees, Office of the Legislative Auditor of the State of Louisiana and management, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of State of Louisiana School Employees' Retirement System for the years ended June 30, 2015 and 2014 were unmodified.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS:

2. Internal Control

Material weaknesses – none noted
Significant deficiencies – none noted

3. Compliance

Noncompliance material to financial statements – none noted

MANAGEMENT LETTER COMMENTS:

None.

SUMMARY OF PRIOR FINDINGS:

None.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
INDEPENDENT ACCOUNTANT'S REPORTS ON
APPLYING AGREED UPON PROCEDURES

JUNE 30, 2015

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM

INDEPENDENT ACCOUNTANT'S REPORTS ON
APPLYING AGREED UPON PROCEDURES

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JUNE 30, 2015

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Duplantier Hrapmann Hogan & Maher, LLP

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES (TANGIPAHOA PARISH SCHOOL BOARD)

September 22, 2015

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

We have applied the procedures enumerated below, which were agreed to by State of Louisiana School Employees' Retirement System (the System), solely to assist you with respect to evaluating the completeness and accuracy of the census data records of the Tangipahoa Parish School Board for the year ended June 30, 2015. The State of Louisiana School Employees' Retirement System's management is responsible for the completeness and accuracy of the census data. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures performed are as follows:

- 1) We reviewed applicable revised statutes to obtain an understanding of the contribution rates for employee and employer, earnable compensation for which contributions are paid, and eligibility for membership in the System.

We applied the procedure above, documenting the laws surrounding membership eligibility, eligible compensation, employer contribution rates and employee contribution rates.

- 2) We documented the controls over payroll at the participating employer entity to determine the level of testing needed.

We applied the procedure above, documenting the processes and controls surrounding the census data process of the System and the Tangipahoa Parish School Board.

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- 3) We scanned the latest available monthly employer's payroll journal for employees who appeared eligible and were not enrolled in the System to ensure that employees were properly not enrolled in the State of Louisiana School Employees' Retirement System.

No findings were noted as a result of applying the procedure above.

- 4) We obtained the latest available monthly employer payroll journal and agreed contribution wages and employee/employer contributions to the monthly contribution remittance report.

No findings were noted as a result of applying the procedure above.

- 5) We verified that the signature on the remittance report to the System is an authorized signor.

No findings were noted as a result of applying the procedure above.

- 6) We performed the following tests of participating entity payroll and personnel records for a representative sample of employees:

- a. Determined employee is eligible for participation in the System.
- b. Traced the hours worked to a time card or time sheet.
- c. Traced pay rate to personnel file.
- d. Re-computed wages based on hours worked, pay rate and eligible compensation based on revised statutes.
- e. Re-computed employee and employer contributions.
- f. Traced employee wages and employee/employer contributions to the remittance report submitted to the System.

No findings were noted as a result of applying the procedures above.

- 7) We obtained the following relevant demographic data from personnel files from participating employer and agreed to System's records and data provided to the actuary:

- a. Birth date
- b. Gender
- c. Hire date

Upon applying the procedure above, we noted one member who did not have the correct hire date listed in the System's records and data provided to the actuary.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the board of trustees of the State of Louisiana School Employees' Retirement System, and is not intended to be and should not be used by anyone other than the specified party.

Duplantier, Hrapmann, Hogan & Maher, LLP



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INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED UPON PROCEDURES (ASCENSION PARISH SCHOOL BOARD)

September 22, 2015

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

We have applied the procedures enumerated below, which were agreed to by State of Louisiana School Employees' Retirement System (the System), solely to assist you with respect to evaluating the completeness and accuracy of the census data records of the Ascension Parish School Board for the year ended June 30, 2015. The State of Louisiana School Employees' Retirement System’s management is responsible for the completeness and accuracy of the census data. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures performed are as follows:

- 1) We reviewed applicable revised statutes to obtain an understanding of the contribution rates for employee and employer, earnable compensation for which contributions are paid, and eligibility for membership in the System.

We applied the procedure above, documenting the laws surrounding membership eligibility, eligible compensation, employer contribution rates and employee contribution rates.

- 2) We documented the controls over payroll at the participating employer entity to determine the level of testing needed.

We applied the procedure above, documenting the processes and controls surrounding the census data process of the System and the Ascension Parish School Board.

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- 3) We scanned the latest available monthly employer's payroll journal for employees who appeared eligible and were not enrolled in the System to ensure that employees were properly not enrolled in the State of Louisiana School Employees' Retirement System.

No findings were noted as a result of applying the procedure above.

- 4) We obtained the latest available monthly employer payroll journal and agreed contribution wages and employee/employer contributions to the monthly contribution remittance report.

No findings were noted as a result of applying the procedure above.

- 5) We verified that the signature on the remittance report, sent to the System, is an authorized signor.

Upon applying the above procedure, we noted that the May 2015 contribution remittance report had no signature authorization present.

- 6) We performed the following tests of participating entity payroll and personnel records for a representative sample of employees:

- a. Determined employee is eligible for participation in the System.
- b. Traced the hours worked to a time card or time sheet.
- c. Traced pay rate to personnel file.
- d. Re-computed wages based on hours worked, pay rate and eligible compensation based on revised statutes.
- e. Re-computed employee and employer contributions.
- f. Traced employee wages and employee/employer contributions to the remittance report submitted to the System.

No findings were noted as a result of applying the procedure above.

- 7) We obtained the following relevant demographic data from personnel files from participating employer and agreed to System's records and data provided to the actuary:

- a. Birth date
- b. Gender
- c. Hire date

Upon applying the procedure above, we noted one member who did not have the correct hire date listed in the System's records and data provided to the actuary. We also noted one member who did not have the correct date of birth listed in the System's records and data provided to the actuary.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the board of trustees of the State of Louisiana School Employees' Retirement System, and is not intended to be and should not be used by anyone other than the specified party.

Duplantier, Hrapmann, Hogan & Maher, LLP



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES (LIVINGSTON PARISH SCHOOL BOARD)

September 22, 2015

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

We have applied the procedures enumerated below, which were agreed to by State of Louisiana School Employees' Retirement System (the System), solely to assist you with respect to evaluating the completeness and accuracy of the census data records of the Livingston Parish School Board for the year ended June 30, 2015. The State of Louisiana School Employees' Retirement System's management is responsible for the completeness and accuracy of the census data. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures performed are as follows:

- 1) We reviewed applicable revised statutes to obtain an understanding of the contribution rates for employee and employer, earnable compensation for which contributions are paid, and eligibility for membership in the System.

We applied the procedure above, documenting the laws surrounding membership eligibility, eligible compensation, employer contribution rates and employee contribution rates.

- 2) We documented the controls over payroll at the participating employer entity to determine the level of testing needed.

We applied the procedure above, documenting the processes and controls surrounding the census data process of the System and the Livingston Parish School Board.

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- 3) We scanned the latest available monthly employer's payroll journal for employees who appeared eligible and were not enrolled in the System to ensure that employees were properly not enrolled in the State of Louisiana School Employees' Retirement System.

No findings were noted as a result of applying the procedure above.

- 4) We obtained the latest available monthly employer payroll journal and agreed contribution wages and employee/employer contributions to the monthly contribution remittance report.

No findings were noted as a result of applying the procedure above.

- 5) We verified that the signature on the remittance report to the System is an authorized signor.

No findings were noted as a result of applying the procedure above.

- 6) We performed the following tests of participating entity payroll and personnel records for a representative sample of employees:

- a. Determined employee is eligible for participation in the System.
- b. Traced the hours worked to a time card or time sheet. N/A for Livingston.
- c. Traced pay rate to personnel file.
- d. Re-computed wages based on hours worked, pay rate and eligible compensation based on revised statutes.
- e. Re-computed employee and employer contributions.
- f. Traced employee wages and employee/employer contributions to the remittance report submitted to the System.

No findings were noted as a result of applying the procedures above.

- 7) We obtained the following relevant demographic data from personnel files from participating employer and agreed to System's records and data provided to the actuary:

- a. Birth date
- b. Gender
- c. Hire date

No findings were noted as a result of applying the procedures above.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the board of trustees of the State of Louisiana School Employees' Retirement System, and is not intended to be and should not be used by anyone other than the specified party.

Duplantier, Hrapmann, Hogan & Maher, LLP