



Excellence Perseveres Over Time

2011-2012 SUMMARY ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2012



Louisiana State Employees' Retirement System
A component unit of the State of Louisiana

October 7, 2012

Dear Members:

It is with great pleasure that I present the Louisiana State Employees' Retirement System (LASERS) *Summary Annual Report* for the fiscal year ended June 30, 2012.

This report provides information derived from our Comprehensive Annual Financial Report (CAFR) on the financial status of your retirement system, while highlighting changes that occurred during the year. More detailed information is provided in our CAFR, which was prepared in accordance with generally accepted accounting principles, and may be viewed on our website at www.lasersonline.org.

This year the European monetary crisis created great uncertainty and increased volatility in the financial markets which impacted our investment returns. LASERS investment portfolio experienced a 0.2% gain in market value. Actuarially this equates to a gain of 5.3% which was below our target of 8.0%.¹ Our funded ratio changed from 57.6% to 55.9% primarily a result of a change in our target rate of return and investment losses. I would like to emphasize that LASERS is a long-term investor, relying on a broad actuarial analysis,



Cindy Rougeou
Executive Director

which takes into account the prior four years of market returns. This smoothing effect prevents extreme swings in our returns. Furthermore, the management of our investments is performed by seasoned professionals who are guided by a long-term plan established by our Board of Trustees.

We continue to explore new asset allocation strategies to improve long-term returns. Recent improvements include adding an allocation to emerging market debt as well as a restructuring of the absolute return strategy portfolio. LASERS works closely with its investment consultant to conduct a thorough asset allocation and liability review on an annual basis. Despite continued market volatility, our investment portfolio is well positioned for the future and we will continue to make adjustments when necessary.

We look forward to providing you with outstanding and continuously improving services during the next year. I will continue to work with legislators, the Board of Trustees, and staff to protect and promote the interests of LASERS.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Rougeou', written over a horizontal line.

Cindy Rougeou
Executive Director

¹ Effective July 1, 2012, the assumed actuarial rate of return for the Fund was changed from 8.25% to 8.00%.

2012 Board of Trustees

(front, left to right)

Barbara McManus (Vice Chair)
Connie Carlton (Chair)
Beverly Hodges

(back, left to right)

Whit Kling
(designee for State Treasurer John Kennedy)
Lori Pierce
Kathy Singleton
Janice Lansing
Thomas Bickham

(not pictured)

Sen. Elbert Guillory
Judge William Kleinpeter
State Treasurer John Kennedy
Rep. Kevin Pearson
Shannon Templet



FINANCIAL STATEMENTS

Summary Comparative Statements of Plan Net Assets

The *Statements of Plan Net Assets* present LASERS financial position as of June 30, 2012, 2011, and 2010, by reporting the System's assets, liabilities, and resultant net assets held in trust for the payment of pension benefits.

	2012	2011	2010 (RESTATED)
Cash and Cash Equivalents	\$ 76,484,826	\$ 43,568,574	\$ 84,434,055
Receivables	202,859,767	121,131,973	89,427,290
Investments	9,299,615,012	9,619,706,708	7,951,123,133
Securities Lending Cash Collateral Held ¹	921,932,039	794,161,316	690,817,689
Capital Assets	8,106,259	9,872,111	11,189,902
Total Assets	\$ 10,508,997,903	\$ 10,588,440,682	\$ 8,826,992,069
Accounts Payable & Other Liabilities	61,782,973	82,202,655	61,341,523
Securities Lending Obligations ¹	931,440,588	802,741,386	710,971,781
Total Liabilities	\$ 993,223,561	\$ 884,944,041	\$ 772,313,304
Net Assets Held in Trust	\$ 9,515,774,342	\$ 9,703,496,641	\$ 8,054,678,765

¹ LASERS records collateral received under its securities lending agreement and has the ability to spend, pledge, or sell the collateral without borrower default. Liabilities resulting from these transactions are also reported. The underlying securities of the security lending cash collateral pools are reported at market value.

Summary Comparative Statements of Changes in Plan Net Assets

The *Statements of Changes in Plan Net Assets* summarize LASERS results of operations throughout the fiscal years ending June 30, 2012, 2011, and 2010, by reporting the the additions to and deductions from plan net assets.

	2012	2011	2010 (RESTATED)
Employer Contributions	\$ 637,285,920	\$ 558,183,107	\$ 491,237,641
Employee Contributions	192,795,057	197,825,267	205,328,033
Net Investment Income (Loss)	(9,610,468)	1,854,312,621	1,129,437,199
Other Income	32,441,258	14,072,770	12,153,663
Total Additions	\$ 852,911,767	\$ 2,624,393,765	\$ 1,838,156,536
Retirement Benefits	978,971,262	915,840,721	829,236,652
Refunds and Transfers of Contributions	43,221,742	41,553,896	35,676,509
Administrative Expenses	15,500,163	14,951,127	15,201,829
Other Postemployment Benefit Expenses	999,650	1,310,517	1,561,605
Depreciation and Amortization Expenses	1,941,249	1,919,628	2,134,563
Total Deductions	\$ 1,040,634,066	\$ 975,575,889	\$ 883,811,158
Net Increase (Decrease)	(187,722,299)	1,648,817,876	954,345,378
Net Assets Beginning of Year	9,703,496,641	8,054,678,765	7,100,333,387
Net Assets End of Year	\$ 9,515,774,342	\$ 9,703,496,641	\$ 8,054,678,765

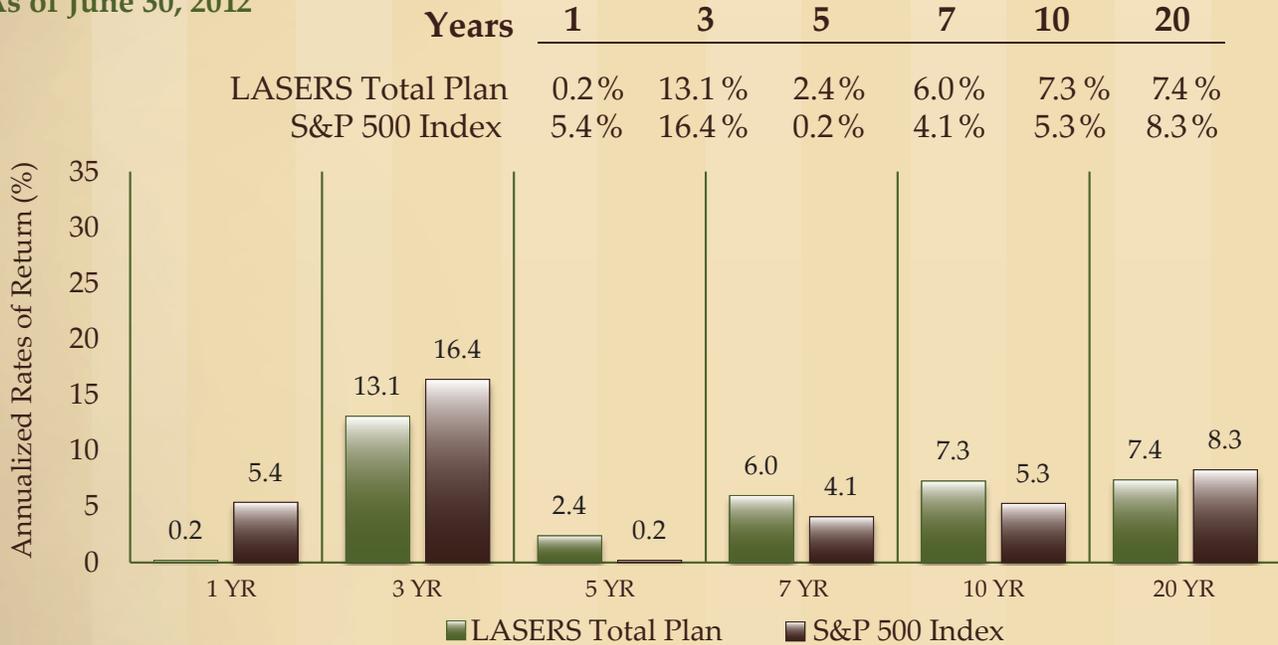
INVESTMENT PERFORMANCE

It was a year of great uncertainty and increased volatility in financial markets. The European monetary crisis challenged the international markets and impacted LASERS overall return. LASERS experienced a 0.2% gain in market value of investment assets for the year ended June 30, 2012 ranking in the seventy-third percentile of all public pension plans with market values greater than \$1 billion in the Wilshire Trust Universe Comparison

Service (TUCS). As always, LASERS maintains its commitment to a broadly diversified portfolio, and achieving its actuarial target rate of return of 8.0% with the least possible amount of risk.¹ The plan is managed by seasoned professionals, and the investment portfolio is structured to optimize the risk/return trade-off. The charts illustrate our investment returns and asset allocations.

Annualized Investment Returns²

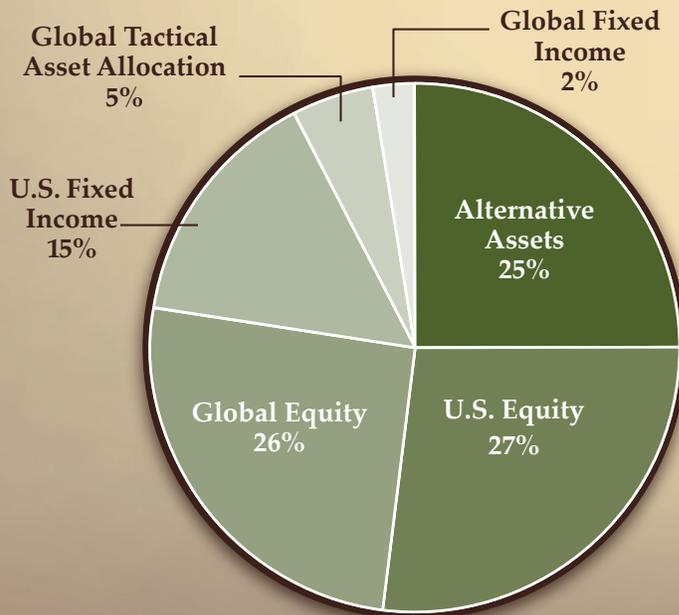
As of June 30, 2012



¹ Effective July 1, 2012, the assumed actuarial rate of return for the Fund was changed from 8.25% to 8.00%.

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

ASSET ALLOCATION



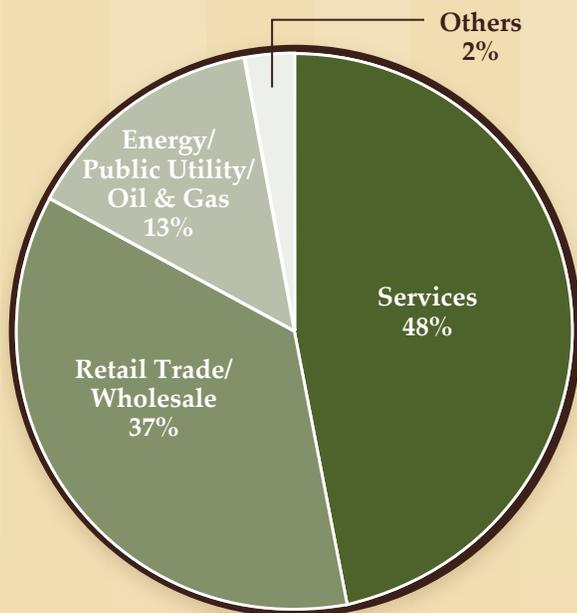
Target Asset Allocation

As of June 30, 2012

LASERS

invests in Louisiana

LASERS is proud to support Louisiana by investing in companies that impact local economies. For the fiscal year ended June 30, 2012, LASERS invested more than \$92 million in Louisiana stocks, bonds, and private equity. The following chart illustrates the Louisiana industries in which LASERS has investments.



Services
\$44,749,589



Retail Trade/
Wholesale
\$34,427,568



Energy/
Public Utility/
Oil & Gas
\$11,661,960



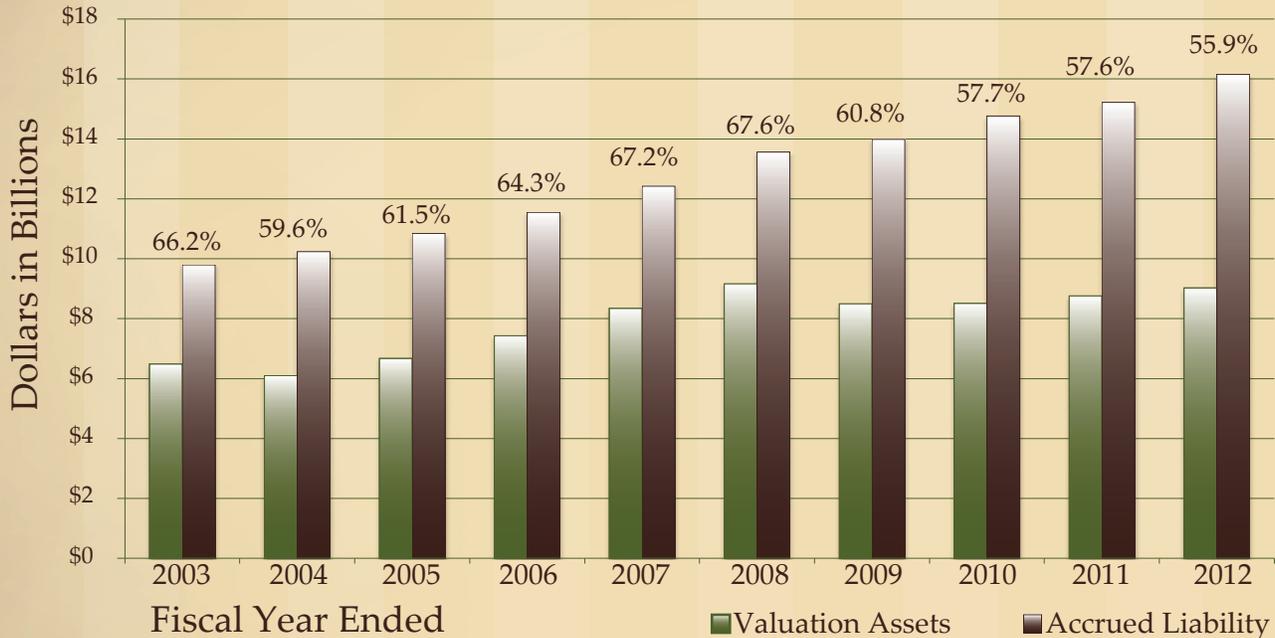
Others
\$6,002,390

Total \$92,777,871

Your retirement benefits are funded by employee contributions, contributions from the State of Louisiana, and cumulative investment earnings. In order to ensure your benefits are available to you, LASERS is constantly evaluating the plan's assets relative to the value of the liabilities. The smoothing effect of the prior four years' gains or

losses on returns on investments and a change in our actuarial assumed rate of return resulted in a change of LASERS funding ratio from 57.6% to 55.9% at the end of fiscal year 2012. The overall increase in valuation assets during fiscal year 2012 was 3.0%.

Funding the Retirement Plan



MEMBERSHIP SUMMARY

Membership Snapshot As of June 30, 2012 Actuarial Valuation

Active Members

Average Age	45.2
Average Years of Service	11.3
Average Annual Salary	\$44,485

DROP Accrual

Average Age	57.0
Average Annual Benefit	\$34,168

Retired Members

Average Age	69.0
Average Annual Benefit	\$21,256

Total Membership

Active	52,352
Retirees	34,513
Disability Retirees	2,544
Survivors	5,665
Terminated-Vested	2,222
Terminated-Nonvested	50,590
DROP Accrual	2,577

Members Retiring During the Fiscal Year Ended June 30, 2012

Years Credited by Service Category	<5	5-10	10-15	15-20	20-25	25-30	30+	All Members
Average Monthly Benefit	\$236	\$779	\$898	\$1,499	\$1,962	\$2,667	\$3,421	\$2,386
Final Average Compensation	\$1,336	\$2,704	\$3,162	\$3,573	\$3,928	\$4,207	\$4,497	\$4,018
Number of Retirees	2	17	389	351	511	619	933	2,822

LEGISLATIVE UPDATE

The 2012 Regular Session of the Louisiana Legislature was a very active one in terms of retirement legislation. Bills which would have made significant changes for current employees of LASERS, such as increasing the final average compensation period from 36 to 60 months, increasing employee contributions, and raising the retirement age to 67 did not pass. Measures that did pass are summarized below.

Act 483 creates a Cash Balance Plan for all non-hazardous duty LASERS members whose first employment making them eligible for membership in a state system occurs on or after July 1, 2013. Some specifics of the plan are:

- Current members are not allowed to transfer to the Cash Balance Plan
- Members' accounts will be credited with 12% of their pay each month:
 - Employee contribution rate will be 8%
 - Additional contribution of 4%
- Member accounts will earn interest at the system's actuarial rate of return, less 1%
- Members' accounts will not be debited for investment losses of the system
- Members who separate from service may withdraw from the Cash Balance Plan:
 - Members with less than 5 years receive employee contributions only
 - Members with 5 or more years receive their entire account balance of employee contributions, additional 4% contributions, and interest
- Disability and survivor benefits are provided
- Members with 5 years or more may draw an annuity at age 60

Act 718, effective August 31, 2012, increases the educational requirements for the LASERS Board. This measure also provides that a member who joined the Optional Retirement Plan before December 31, 2007, may regain membership in the defined benefit plan.

Act 872, effective upon passage of constitutional amendment by the voters on November 6, 2012, provides that all retirement bills that are required to be pre-filed must be pre-filed by the 45th calendar day prior to the first day of a regular session. It would also require that public notice of retirement bills be published at least 60 days prior to introduction.

Act 868, effective upon passage of constitutional amendment by the voters on November 6, 2012, allows for the forfeiture of all or part of the benefits from a public retirement system by any member convicted of a felony associated with and committed during public service.

Act 479, effective upon approval of Act 868 by the voters, sets out the mechanism for the forfeiture of retirement benefits for members convicted of public corruption crimes. Such crimes are defined as those in which the member acted willingly and in the course of scope of his public office and realized or attempted to realize financial gain or involved a criminal sexual act with a minor.

The forfeiture provisions will apply to public employees or elected officials hired/rehired on or after January 1, 2013, and to benefits earned on or after January 1, 2013. The sentencing court will determine if the conviction warrants forfeiture or garnishment and whether benefits should be paid to the member's spouse, dependent, or former spouse.

Act 224, effective May 22, 2012, provides that designated legislative staff may attend executive sessions of meetings of state and statewide retirement system boards and committees.

Act 113, effective June 30, 2012, adds the Commissioner of Administration or his designee to the LASERS Board.

Act 800 provides that a portion of certain sales and use taxes shall be allocated to the Unfunded Accrued Liability and Specialized Educational Institutions Support Fund. This may provide additional payments against the UAL.

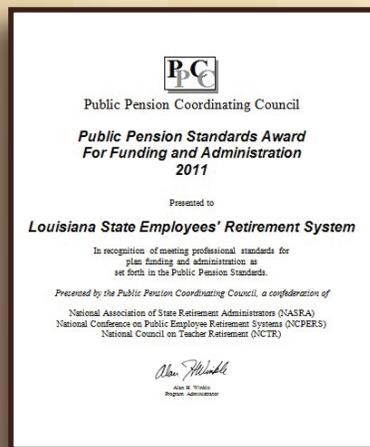
Act 346, effective July 1, 2012, adds employees of the Lafitte Area Independent Levee District to LASERS. This requires the governing body of the Levee District to adopt a resolution declaring the district a participating employer in LASERS on or before October 1, 2012.

HCSR 3 directs the House and Senate Committees on Retirement to study alternative funding methods for COLAs for retired members of the state retirement systems.



GFOA Award

The Government Finance Officers Association of the United States of America and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to LASERS for its Popular Annual Financial Report for the fiscal year ended June 30, 2011. This prestigious national award recognizes excellence for readily understood financial reports that are less technical in nature, while providing interesting financial, actuarial and historical information. This is the thirteenth consecutive year that LASERS has received this award.



Public Pension Standards Award

LASERS received the Public Pension Coordinating Council's (PPCC) 2011 Public Pension Standards Award in recognition of achieving high professional standards in the areas of plan design and administration, benefits, actuarial valuations, financial reporting, investments, and disclosures to members. LASERS is proud to have received this award for the eighth consecutive year.

The LASERS Mission

To provide a sound retirement plan for our members through prudent management and exceptional service

The LASERS Vision

Confidence in our service, assuring financial security for your future

LASERS Core Values

Highest Ethical Standards
Integrity
Prudent Management

LASERS

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The Louisiana State Employees' Retirement System (LASERS) distributed this document digitally.
No publication costs were incurred.