

Investing in
OUR
Future

Louisiana State Employees' Retirement System
2008-2009 Summary Annual Financial Report
For fiscal year ended June 30, 2009



A component unit of the State of Louisiana

Letter of Transmittal



Cindy Rougeou
Executive Director



2009 Board of Trustees

(back, left to right)
Rep. Joel C. Robideaux
Virginia Burton
Barbara McManus
Charles Castille
Louis Quinn

(front, left to right)
Lorry Trotter (Chair)
Cynthia Bridges
Sheryl Ranatza
Connie Carlton

(not pictured)
Susan Pappan
Sen. D. A. "Butch" Gautreaux
State Treasurer John Kennedy

October 9, 2009

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, 2009. 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 economic environment and global recession have impacted our investment returns and funded ratio. LASERS funded ratio decreased to 60.8%¹ and our investment portfolio experienced a 19.1% loss in market value. Actuarially this equates to a loss of 7.64% which was below our target of 8.25%. I would like to emphasize that LASERS is a long-term investor, relying on a broad actuarial analysis, which takes into account the prior three 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. This includes expanding our alternative investments portfolio which consists of private equity, absolute return strategies, and global tactical asset allocation. This spring, the Board changed the plan's asset allocation by decreasing international large cap equity exposure 3%, and increasing exposure to emerging market equity by the same amount. Despite recent 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 "Cindy Rougeou".

Cindy Rougeou
Executive Director

¹ This funded ratio takes into account the initial unfunded accrued liability account (IUAL) and the Employer Credit Account. The System's funded ratio used for funding purposes was 59.3% at June 30, 2009.

Financial Statements

Summary Comparative Statements of Plan Net Assets

The Statements of Plan Net Assets are summaries of what LASERS owns and what it owes as of the end of the fiscal year.

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Amount of Change</u>	<u>Percent Change</u>
Cash and Cash Equivalents	\$ 93,768,308	\$ 90,020,187	\$ 3,748,121	4.16%
Receivables	164,801,135	105,237,613	59,563,522	56.60%
Investments	6,985,993,117	8,784,261,024	(1,798,267,907)	-20.47%
Securities Lending Cash Collateral Held	869,609,079	1,786,521,801	(916,912,722)	-51.32%
Capital Assets	<u>13,110,842</u>	<u>14,839,316</u>	<u>(1,728,474)</u>	-11.65%
Total Assets	<u>8,127,282,481</u>	<u>10,780,879,941</u>	<u>(2,653,597,460)</u>	-24.61%
Accounts Payable & Other Liabilities	65,630,959	36,470,348	29,160,611	79.96%
Securities Lending Obligations Held	<u>961,318,135</u>	<u>1,786,521,801</u>	<u>(825,203,666)</u>	-46.19%
Total Liabilities	<u>1,026,949,094</u>	<u>1,822,992,149</u>	<u>(796,043,055)</u>	-43.67%
Net Assets Held in Trust	<u>\$ 7,100,333,387</u>	<u>\$ 8,957,887,792</u>	<u>\$ (1,857,554,405)</u>	-20.74%

Summary Comparative Statements of Changes in Plan Net Assets

The Statements of Changes in Plan Net Assets summarizes the flow of money in and out of the fund throughout the fiscal year.

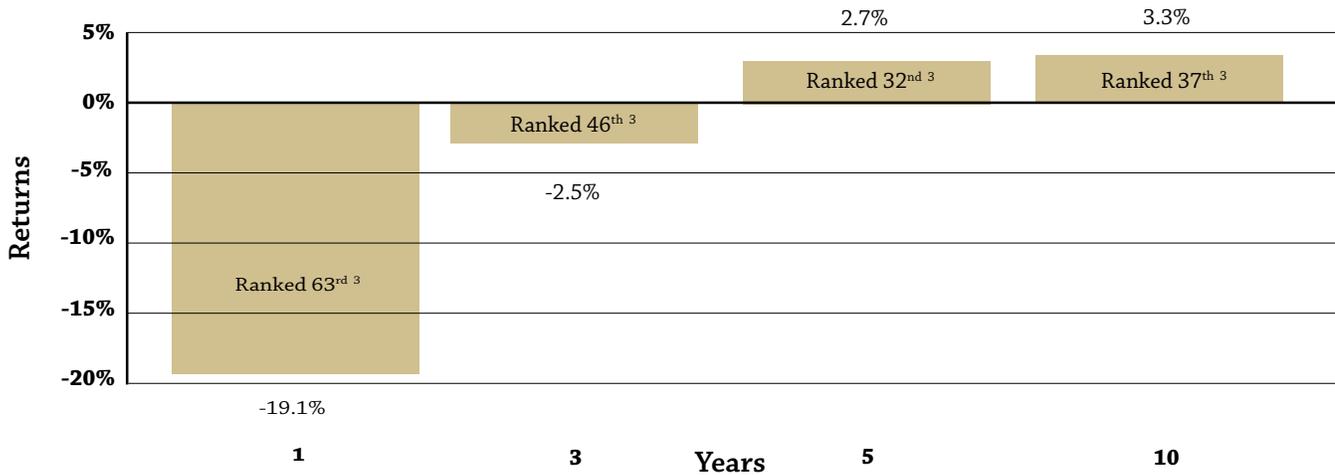
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Amount of Change</u>	<u>Percent Change</u>
Employer Contributions	\$ 486,583,512	\$ 505,678,953	\$ (19,095,441)	-3.78%
Member Contributions	203,050,933	192,412,444	10,638,489	5.53%
Legislative Appropriations	-	20,000,000	(20,000,000)	-100.00%
Net Investment Income (Loss)	(1,739,762,198)	(357,912,195)	(1,381,850,003)	386.09%
Other Income	<u>13,919,576</u>	<u>16,507,453</u>	<u>(2,587,877)</u>	-15.68%
Total Additions (Reductions)	<u>(1,036,208,177)</u>	<u>376,686,655</u>	<u>(1,412,894,832)</u>	-375.08%
Benefit Payments	771,408,255	718,303,319	53,104,936	7.39%
Refund of Contributions	30,314,007	32,149,383	(1,835,376)	-5.71%
Administrative Expense	17,593,089	18,251,680	(658,591)	-3.61%
Depreciation Expense	2,030,877	1,242,051	788,826	63.51%
Total Deductions	<u>821,346,288</u>	<u>769,946,433</u>	<u>51,399,795</u>	6.68%
Net Increase (Decrease)	(1,857,554,405)	(393,259,778)	(1,464,294,627)	372.35%
Net Assets Beginning of Year	<u>8,957,887,792</u>	<u>9,351,147,570</u>	<u>(393,259,778)</u>	-4.21%
Net Assets End of Year	<u>\$ 7,100,333,387</u>	<u>\$ 8,957,887,792</u>	<u>\$ (1,857,554,405)</u>	-20.74%

Investment Performance

This year, the economic environment and global recession have impacted our investment returns. LASERS experienced a 19.1% loss in market value of investment assets for the year ended June 30, 2009. As the economy moves out of recession, LASERS maintains its commitment to a broadly diversified portfolio, and achieving its actuarial target rate of return of 8.25% with the least possible amount of risk. The plan is managed by seasoned professionals, and the investment portfolio is allocated to stabilize long-term returns. LASERS has achieved a five-year return of 2.7% ranking in the 32nd percentile among its peers. The charts below illustrate our investment returns and asset allocations.

LASERS Fund Investment Returns² (Annualized)

As of June 30, 2009

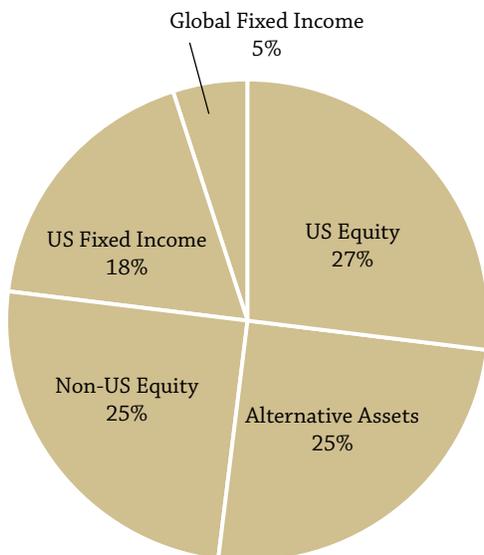


² Performance is gross of fees.

³ LASERS rankings are in percentiles when compared to 56 large public pension funds that have over \$1 billion in assets in the Trust Universe Comparison Service (TUCS).

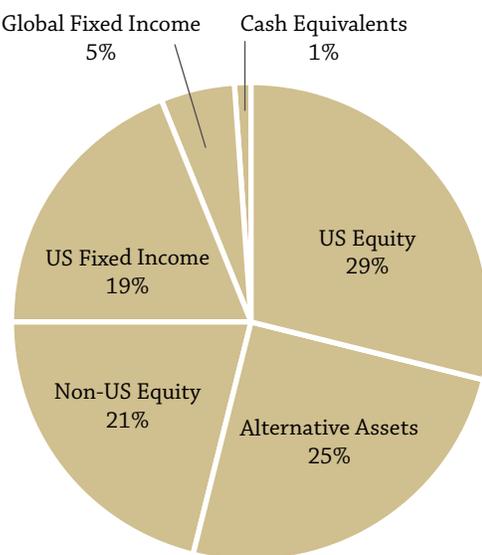
Target Asset Allocation

As of June 30, 2009



Asset Allocation at Market Value

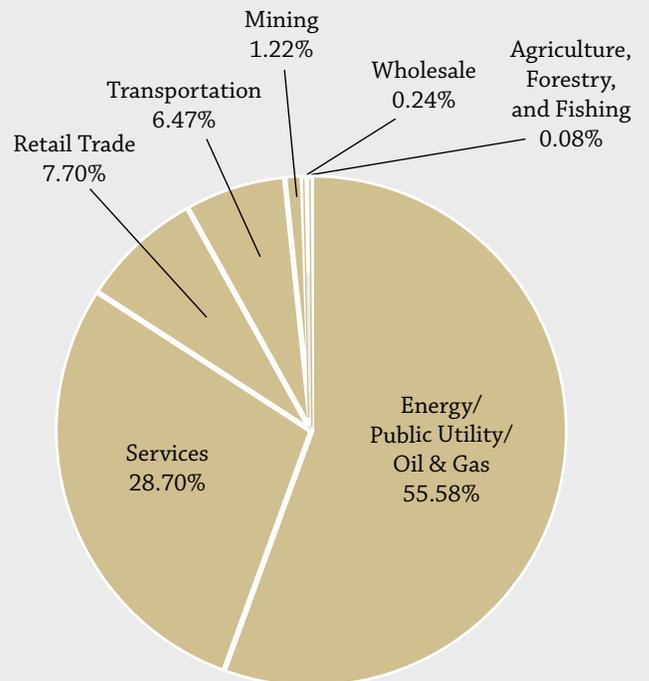
As of June 30, 2009



LASERS Invests in *Louisiana*

LASERS is proud to support Louisiana by investing in companies that impact local economies. For the fiscal year ending June 2009, LASERS invested more than \$187 million in Louisiana stocks, bonds and private equity. The following chart illustrates the many Louisiana industries in which LASERS has investments.

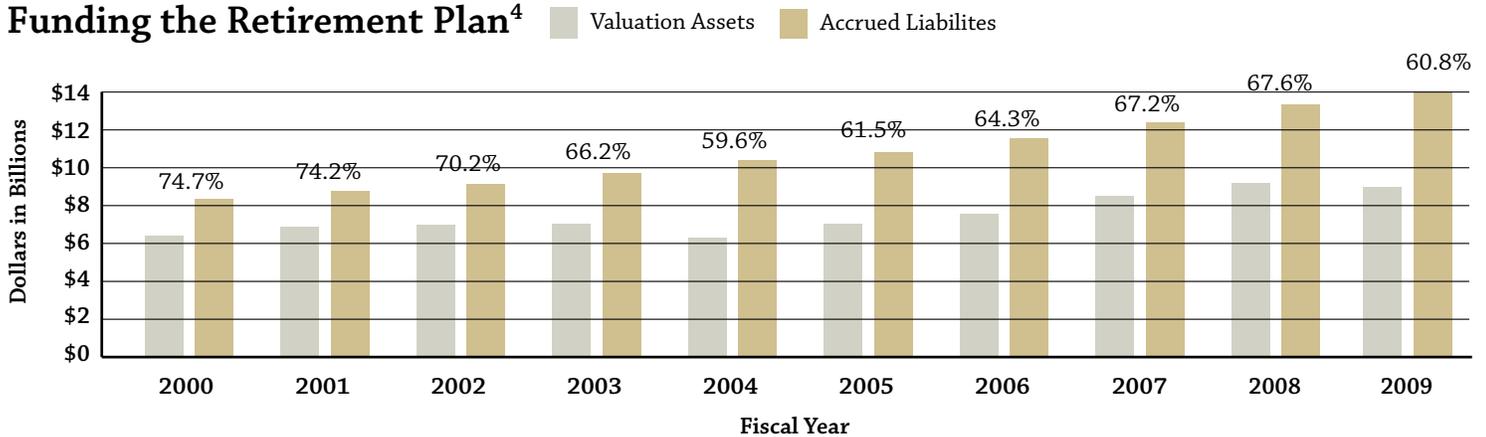
Agriculture, Forestry, and Fishing	\$	155,000
Energy/Public Utility/Oil & Gas		103,974,176
Mining		2,277,083
Retail Trade		14,408,711
Services		53,694,566
Transportation		12,111,088
Wholesale		450,432
Total		\$ 187,071,056



Actuarial Summary

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. Domestic and global market conditions during fiscal year 2009 had a negative impact on LASERS funded ratio resulting in a 6.8% decrease to 60.8% at the end of fiscal year 2009.⁴ The overall decrease in valuation assets during fiscal year 2009 was 7.3%. Act 497 of 2009 provided major changes for the prospective funding of LASERS accrued liabilities by establishing guidelines for the re-amortization and refinancing of the payment of LASERS unfunded accrued liability that existed on June 30, 2009.

Funding the Retirement Plan⁴



⁴ This funded ratio takes into account the initial unfunded accrued liability account (IUAL) and the Employer Credit Account. The System's funded ratio used for funding purposes was 59.3% at June 30, 2009.

Membership Summary

Member Snapshot

June 30, 2009 Actuarial Valuation

Active Members

Average Age	44.5
Average Years of Service	10.1
Average Annual Salary	\$41,085

Retired Members

Average Age	68.2
Average Annual Benefit	\$19,652

Total Membership

Active	61,991
Retirees	30,062
Disability Retirees	2,631
Survivors	5,560
Terminated-Vested	1,947
Terminated-Nonvested	49,701
DROP Participants	2,683

Members Retiring

During the Fiscal Year Ended June 30, 2009

Years Credited by Service Category	Average Monthly Benefit	Final Average Compensation	Number of Retirees
<5	\$ 834	\$ 1,533	4
5-10	344	1,290	2
10-15	917	3,166	261
15-20	1,569	3,850	222
20-25	2,065	3,892	245
25-30	2,522	3,893	463
30+	3,141	4,297	495
All Members	2,261	4,450	1,692

Legislative Update

The LASERS Board of Trustees did not sponsor any bills during the legislative session this year. LASERS was, however, very active in responding to bills initiated in the legislature. The following is a summary of the legislation that was passed during the 2009 session that affects members of LASERS.

Act 144 of the 2009 Regular Session provides an increase in monthly benefits for retirees, beneficiaries, and survivors with a benefit below \$1,200 per month and at least 30 years of service credit, at least 60 years of age, and retired for at least 15 years. The increase will be \$300 a month or the amount necessary to bring the monthly benefit to \$1,200, whichever is less. The increased benefits will be paid through the excess investment earnings held in the Experience Account.

Act 270 of the 2009 Regular Session provides for a guaranteed 2.5% self-funded cost-of-living adjustment (COLA) for members of LASERS and all statewide systems. At retirement, the member will be given the option to choose a lower monthly benefit with a guaranteed annual 2.5% COLA. The retiree also will receive system funded COLAs.

Act 299 of the 2009 Regular Session creates a special fund to provide for a retroactive enhanced benefit for certain probation and parole officers. The funding will come from a new \$65 processing fee to be charged by Probation and Parole.

Act 301 of the 2009 Regular Session provides for public employees of colleges and universities furloughed as a result of budget reductions to continue making contributions to the retirement system for up to 30 days. Under IRS rules, employees are limited to a total of five years of time not actually worked to be purchased, and furloughed time will count toward these limits. If all five years of air time has been purchased, the member is ineligible to contribute on any days furloughed.

Act 497 of the 2009 Regular Session creates a new payment schedule for the state in paying down the debt of LASERS and the Teachers' State Retirement System of Louisiana (TRSL), resulting in more affordable annual payments. It also changes the mechanism for funding cost-of-living adjustments (COLAs), and changes the name of those increases to a Permanent Benefit Increase. It requires that retirees be age 60 instead of 55 to qualify for a cost-of-living adjustment.

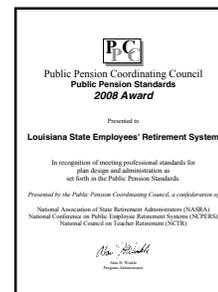
Awards

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, 2008. 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 tenth consecutive year that LASERS has received this award.

Public Pension Standards Award



LASERS received the Public Pension Coordinating Council's (PPCC) 2008 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 fifth consecutive year.

LASERS

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The LASERS Vision

Confidence in our service, assuring
financial security for your future

The LASERS Mission

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

LASERS Core Values

Highest Ethical Standards
Integrity
Prudent Management

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